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NEWS SUMMARY

GENERAL

One dead in Tube tunnel fire

One person died and 13 others were taken to hospital when fire broke out in a London Underground Northern line tunnel at 5.45 pm yesterday.

The victims were believed to have collapsed after they and nearly 100 other passengers had crawled through three Tube trains filled with dense black smoke.

The blaze broke out in a cable store between Goodge Street and Warren Street stations. It is the third mystery fire on the Tube in nine days.

A train-driver raised the alarm. Two trains, through which passengers crawled, were sent to join the first. Passengers were trapped for an hour.

Peckham riots

After rioting and looting in Peckham, South London, on Saturday night, when 500 black and white youths clashed outside a fair and 30 shops were damaged, 28 youths were arrested and two charged. A policewoman was injured and a motorist taken to hospital.

Shortly afterwards an unidentified black youth was stabbed two miles away by three white youths. He died in hospital later. Police said there was nothing to link his killing to the riots at this stage.

Trail of terror

About 400 skinheads left a trail of terror in Sheffield on Saturday after taking part in an organised peaceful march protesting against alleged police harassment. Gangs terrorised shoppers and traders, damaged the Crucible Theatre and stole from shops. There were several arrests.

Ulster attacks

A Provisional IRA attack on a West Belfast army base, by at least five mortars fired from a hijacked lorry, left a six-year-old boy in hospital with shrapnel wounds to his head. Four Ulster policemen suffered minor injuries in Londonderry rioting.

Royal honeymoon

A cottage at the Sveti Stefan hotel, on a Yugoslav island off the Adriatic coast, is being considered as a honeymoon hideaway for Prince Charles and Lady Diana Spencer. Worldwide, 500m people are expected to watch royal wedding TV transmissions.

Botham stays

Ian Botham was confirmed as England's captain after Australia beat England by four wickets in the Test Match. Test report Page 13

Grand Prix win

Canadian Gilles Villeneuve (Ferrari) won the Spanish Grand Prix at Jarama. Frenchman Jacques Lafitte (Talbot Ligier) was second and Britain's John Watson (McLaren) third.

Transatlantic best

Chay Blyth and Rob James won The Observer double-handed yacht race in trimaran Brittany Ferries GB, covering the 3,000 miles from Plymouth, England, to Newport, Rhode Island, in 14 days 13 hours 54 minutes, a westbound record.

Briefly . . .

Saudi Arabia's Foreign Minister met U.S. presidential envoy Philip Habib in Jeddah to discuss Lebanon.

Earthquakes measuring four on Richter scale hit Soviet islands of Sakhalin and South Kuril.

BUSINESS

£ may become more volatile

A MAJOR build-up of foreign currency deposits by UK residents and a sizeable increase in international holdings of sterling threaten to make the pound more volatile and impede Government efforts to control the money supply. Back Page

● UK CONSUMER CONFIDENCE level has fallen sharply, according to a Financial Times survey published today, with increasing concern shown over rising prices and unemployment. Page 5

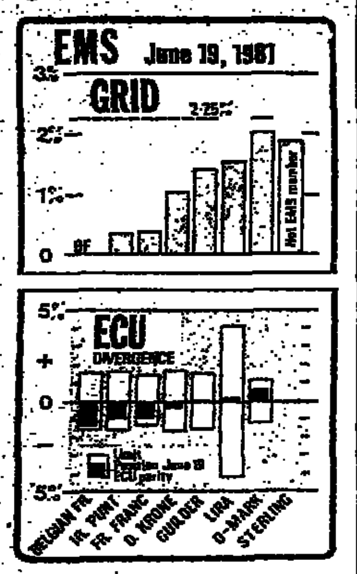
● NATIONAL SAVINGS receipts for May fell to £383m, against £596m in April, but the Government is well on the way to meeting its £3bn target for 1981/82. Page 5

● WEST GERMAN current account recovered to a DM 3.3bn (£703m) surplus in April. Page 2

● EUROPEAN COMMISSION has almost completed proposals to reform the Common Agricultural Policy, redirect more spending into regional and social aids and put a more lasting ceiling on Britain's payments to Brussels. Page 2

● ESSO CHEMICALS is seeking extra Government aid for its £360m petrochemicals project at Mossmorran, Fife. Page 4

● KCA INTERNATIONAL shareholders approved the company's plan to float off its drilling activities subsidiary. Page 16



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● U.S. INTEREST rates continued to dominate the foreign exchange market last week, leaving European currencies weak against the dollar. Earlier in the week the downward trend in U.S. rates depressed the dollar, but this was later reversed on indications that the Federal Reserve was maintaining its tight monetary policy.

The D-mark remained the strongest member of the European Monetary System, although trading in the West German currency was restricted by the closure of Frankfurt for two days' public holiday. The French franc lost ground on fears of further gains by the Socialists in the French general election, and the lower trend in Paris interest rates.

Weakest member of the EMS was again the Belgian franc, but it remained well within its divergence limit despite a further reduction in Belgian Treasury bill rates.

CONTENTS

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Socialists win first absolute majority in French elections

BY ROBERT MAUTHNER IN PARIS

THE SOCIALIST PARTY yesterday won an overwhelming victory in the French General Election, obtaining an absolute majority of seats in the National Assembly for the first time since the creation of the Fifth Republic 23 years ago.

Various computer predictions after the final ballot gave the Socialists, and their allies, the small Radicals of the Left party (MRG) 280 to 293 seats of the National Assembly's 491 total and a majority as a result over all the other parties combined of 35 to 48 seats.

The result will give President Francois Mitterrand, who was himself elected only six weeks ago, complete freedom to implement his legislative programme, without having to obtain the support of any other party. However, it cannot be ruled out that he may call on one or two Communists to join his Government, in spite of the fact that the Communists' parliamentary representation is likely to be cut by half from 86 to about 42 deputies, according to the computer projections.

The principal victims of the Socialist landslide were the old centre-right coalition parties. The Gaullist RPR party, led by M Jacques Chirac, is expected to see its National Assembly strength reduced from 155 to 81, while the Giscardian UDF is expected to go down from 119 seats to 71.

The controversial question of Communist participation in the new Government could be settled as early as this week, following negotiations between the Socialist and Communist parties on a possible common government programme.

Given the fact that the Socialists have obtained an absolute majority in the new National Assembly, President Mitterrand is not obliged to appoint any Communist Ministers. But his whole presidential election campaign, and that of the Socialist Party during the General Election run-up, has been geared to producing Left-wing unity at the electoral level, even if a fundamental policy agreement between the party leaderships was never on the cards.

The two parties concluded a purely electoral pact, under which Communist candidates stood down in favour of Socialists after the first round and vice versa, depending on who was in the leading position. This has greatly favoured the Socialists.

In the absence of such an agreement, the Socialists certainly would not have done as well as they did and this is something that M Mitterrand must keep in mind when deciding on whether Communists should be invited to join his administration.

What is already certain is that the Socialist conditions for Communist participation would be very tough. Not only would the Communists be asked to toe the line on domestic policy—they would be asked to subscribe to a much more limited nationalisation programme than their own—but they would have to accept the Socialist Government's foreign policy.

This includes, in particular, a refusal to accept the Soviet Union's occupation of Afghanistan, opposition to the stationing of Soviet missiles aimed at Western Europe and condemnation of any Soviet interference in Poland's internal affairs.

The Communists would also be asked to give a pledge of long-term support to the government, thus forestalling an early walk-out over policy disagreements. M Claude Cheysson, the Foreign Minister, said at the weekend that the Socialists would not form a "dubious coalition."

"Whatever the composition of the Government, it will not include a single Minister who is not in agreement with the fundamental policies of Francois Mitterrand," he said.

It remains to be seen whether the Communists could accept such rigorous terms which, for them, would be tantamount to a surrender. Acceptance would imply a complete change of direction for a party which, since the break-up of the

Continued on Back Page

Bani-Sadr arrest ordered

BY PATRICK COCKBURN

THE AUTHORITIES in Tehran yesterday ordered the arrest of Iranian President Abolhassan Bani-Sadr following his impeachment by the Iranian parliament.

Ayatollah Khomeini, Iran's revolutionary leader, is to be asked by parliament to dismiss the president within the next 24 hours.

At the same time, in a move to quell all demonstrations of opposition to the fall of the President the Iranian Government yesterday executed by firing squad 15 people who had taken part in bloody rioting on Saturday.

The executions came shortly before parliament voted overwhelmingly by 177 to one with 11 abstentions to declare President Bani-Sadr incompetent to stay in office. Most of his supporters boycotted the final vote.

The whereabouts of the president are still unknown, but the revolutionary prosecutor who ordered his arrest said he was still in Iran.

Demonstrations in support of the president have been reported from many Iranian provincial cities with most of the demonstrators coming from the progressive Moslem party, the Mojahedin-e-Khalq.

At least 24 people were killed on Saturday in street fighting in Tehran between supporters and opponents of the president. Some 14 Revolutionary Guards, the Government militia, were among the dead, according to a guard spokesman.

Despite the violence in the streets the impeachment debate in parliament was conducted with restraint. The absence of the small body of presidential supporters ensured that only two of the six deputies opposing impeachment actually supported President Bani-Sadr and only one voted against.

When the speaker of Parliament Hojaloleslam Hashemi Rafsanajani announced that the impeachment motion had been carried deputies shouted "thank God America has been defeated."

Outside the parliament building crowds called for the president's execution. When the results of the vote were announced groups of youths drove around Tehran on motorcycles shouting out the news.

As tension rises in Tehran there have been increasing calls for the execution of Mr Bani-Sadr by his political enemies. His ultimate fate will depend on Ayatollah Khomeini.

The President and his supporters are being accused of weakening Iran and its revolution and thereby assisting America and Iraq. The execution of demonstrators is likely to portend a full-scale purge of Mr Bani-Sadr's allies and friends

Background, Page 2

Rates limit Bill given priority

BY ROBIN PAULEY

LOCAL COUNCILS face a limit on the amount they can raise from non-domestic ratepayers and they may have to call an election or referendum before they can levy more than a centrally determined amount from domestic ratepayers.

These are key provisions in proposed legislation to which the Cabinet will put the finishing touches this week. It will be introduced in the Commons in the autumn and is certain to cause a furore among the local authority associations because of the major constitutional changes which it implies.

The Local Government (Miscellaneous Provisions) Bill has already been given priority in the provisional list for the Queen's Speech. The idea is to rush the legislation through both Houses of Parliament and onto the Statute Book well before next year's local authority budget and rate fixing meetings.

The Bill will propose:

● A maximum limit, to be set by Government, on increases in the industrial and commercial rate.

● A maximum limit, to be set by Government, on the amount a council can raise in domestic rates in its first rate demand.

● A limit, to be set by Government, on the amount which could subsequently be raised in a supplementary rate and each succeeding supplementary rate in the same financial year.

● The calling of either a referendum or a full council election before the first supplementary rate may be levied.

This last point is expected to be given a good deal of attention in Cabinet this week because of the great disruption and uncertainty it could introduce into local administration.

The result of an extraordinary election or referendum would be regarded as permission or refusal for all future supplementary rate demands within the financial year.

The amount a council can raise in its first rate call in the spring will be based on a calculation by Environment Department civil servants of how much each authority needs to spend to provide a standard level of services—its grant-related expenditure. The council will be allowed to call a rate for this much plus an extra amount to be determined by the Government, and no more.

If its budget plans require more—and in many cases they will because of the extra burden which domestic rates will have to bear because of the limit on the non-domestic rate—they will have to move into the supplementary rate regime.

Present thinking is that the limit on the first supplementary rate increase should be fairly high—25 per cent.

The Government's argument is that this system will leave spending decisions with the council but will force the impact of those decisions squarely onto domestic ratepayers.

The scheme would affect high-spending councils worst. These tend to be in inner urban areas which are usually Labour-controlled.

Kitson backs National Freight plan

BY NICK GARNETT

PLANS PUT forward by the management of the state-owned National Freight Company to purchase it from the Government, with each of its 28,000 staff given the chance to buy shares, were backed yesterday by Mr. Alex Kitson, deputy general secretary of the Transport and General Workers' Union.

Mr Kitson said he supported the Opposition's objection to any sale of a nationalised enterprise. But if National Freight was to be sold, it was better that it should be disposed of in this way, where at least it would remain whole. If it was sold on the market, that would inevitably mean the profitable parts being hived off.

The union has already had talks with the company on the plan and complained that it was not consulted.

Union officials are seeking a further meeting with National Freight's management before its executive takes a formal position on the issue.

Mr Kitson said yesterday that if National Freight was to be sold, staff should have the first opportunity to buy shares.

● The union is expecting a further drop in its current 1.83m membership in the latest figures due out this month.

CBI's trade union reform plan, Page 2

Kitson tilts at closed shop, Back Page

Labour pick Left-wing candidate to fight Warrington

By Elinor Goodman, Lobby Correspondent

WARRINGTON Labour Party yesterday chose Mr Doug Hoyle, a Left-wing member of Labour's national executive, to stand against Mr Roy Jenkins in the first by-election test of the Social Democrats.

Their choice delighted the Social Democrats and Liberals who will do all they can to exploit Mr Hoyle's links with Mr Tony Benn in an attempt to woo moderates away from Labour.

His selection came as Social Democrats and Liberals in Croydon North West, where the alliance between the two parties will get its second by-election test, met for the first time to discuss ways of co-operating.

Mr Hoyle, the former MP for Nelson and Colne, was chosen from 57 nominations for the Labour stronghold. For yesterday's election conference, the choice had been narrowed down to six, including Mrs Margaret Beckett, another former Labour MP and a colleague of Mr Hoyle's on Labour's executive, and two local candidates.

Mr Hoyle, vice-president of the Association of Scientific, Technical and Managerial Staff, usually votes with Mr Benn and other left-wingers on Labour's national executive.

He is in favour of unilateral disarmament and withdrawal from the EEC. But, in terms of the spectrum of Labour Party opinion, he is not on the extreme militant Left.

Nevertheless, the Social Democrats will use him as evidence of the Leftward drift in the Labour Party which looks like one of the main points of their campaign.

Labour had a majority of over 10,000 at Warrington at the last election. By comparison, Croydon North-East is a relatively marginal seat with a Tory majority of only 3,769. But the Social Democrats do not seem to think that they have any real chance in Croydon. It appeared increasingly likely yesterday that a Liberal would carry the flag of the new alliance in that by-election.

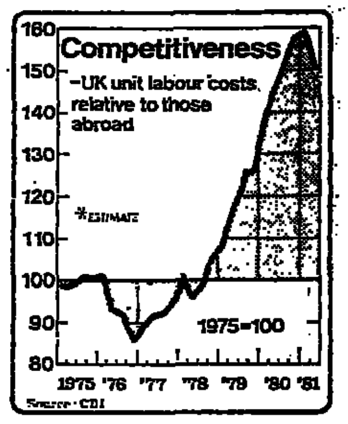
This may disappoint many Social Democrats, who are very keen to see Mrs Shirley Williams stand. But the by-election could represent another signficant step forward in relations between the Liberals and Social Democrats. Whereas Mr Jenkins is standing at Warrington as the Social Democratic candidate "with Liberal support," organisers of the two parties locally were talking yesterday about a "joint candidate" at Croydon.

British industry becomes more competitive

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE COMPETITIVE position of UK manufactured goods has improved by about 6 per cent since the beginning of this year, according to the most commonly used yardstick calculated by the Confederation of British Industry. But this follows a deterioration of 50 to 60 per cent since the mid-1970s.

The CBI's index of unit labour costs in the UK relative to those overseas is estimated at about 150 now, compared with 159.6 in the January-March period and a base of 1975=100. A fall in the index indicates an improvement in cost competitiveness and a rise in the index a deterioration.



The change in the last few months reflects the combination of a pick-up in UK productivity and a fall in the sterling exchange rate at a time when average earnings in Britain have been rising no faster than abroad.

The conclusion that competitiveness is improving slightly is in line with the analysis in the Bank of England quarterly bulletin published last Thursday. This indicated that output per man-hour in the UK rose by 2½ per cent between the first quarters of 1980 and 1981 while there has been no change in major competitor countries.

Only a very small part of the competitive deterioration since the mid-1970s has been reversed. This is why the CBI, the Bank and the Government all lay stress on holding down wage increases if these gains are to be extended.

The evidence is tentative but officials and industrial economists are encouraged by productivity, as measured by output per man-hour, improving in spite of the extent of the recession and before any signs of a general recovery in activity have appeared.

One interpretation is that the figures show that the shake-out in labour and changes in working practices have been much greater than in previous recessions. The more cynical response is that all that has happened is that employment and hours worked have fallen even more sharply than output.

Another positive point is that average earnings in UK manufacturing industry have been rising no faster than abroad, in contrast to the record of the last decade. Both the recent wage and productivity trends mean the deterioration in competitiveness might have been checked even without the recent fall in sterling.

The CBI's estimates are drawn up in a slightly different way from the International Monetary Fund indices usually quoted by the Government. Apart from a difference in the number of competitor countries included, the CBI measures actual changes in relative unit labour costs rather than what are called normalised figures which try to adjust for cyclical changes in the level of activity.

This should make no real difference, however, to the comparison over the last two years.

Delay in recovery forecast, Page 4

Manufacturers rely more on exports, Back Page

Output 'flattening out'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITISH manufacturing industry expects output to remain mainly flat during the rest of the summer.

The Confederation of British Industry's monthly trends inquiry published today supports the "bouncing along the bottom" view of the economy. Production appears to have stopped falling in most sectors in recent months but there are no real signs of any general pick-up in activity.

The most positive signs are on the demand side. The proportion of companies reporting total order books below as opposed to above normal has contracted further, but the balance is still heavily negative. While some companies may have revised their view of what is "normal," the CBI comments that order books have probably improved slightly since last autumn.

Continued on Back Page

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Tight security surrounds CAP reform proposals

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission has virtually completed work on what it sees as historic proposals designed to reform the Common Agricultural Policy, redirect more spending into regional and social aids, and put a more lasting ceiling on Britain's payments to Brussels.

The 14-member Commission will devote one last session on Wednesday to final adoption of its proposals although M. Gaston Thorn its president, may give an advance account of them to EEC Foreign Ministers meeting in Luxembourg today and tomorrow.

The Commission's weekend session at Belgium's seaside resort of Knokke-le Zoute took place under such tight security against leaks that Commissioners were required to return all copies of the proposals to M. Thorn before leaving.

The president's aim is to prevent any substantial political discussion of the plans until the EEC heads of government summit meeting in Luxembourg next Monday.

They may then, however, run into a stormy reception from Chancellor Helmut Schmidt, of West Germany, because the Commission has decided to ignore his repeated demands for changes in EEC budget arrangements so that West Germany ceases to be much the largest contributor.

Britain's net payments to the budget would be even larger than Bonn's but for temporary limits which expire next year.

When this deal was negotiated on May 30 last year, the Commission was instructed to find a means of ending such "unacceptable situations."

But its proposals take a broad view of the costs and benefits of EEC membership and conclude that only the UK needs special treatment because it has been suffering "an inequitable share of the benefits of integration."

This means that worldwide economic problems have denied the UK important growth opportunities as a Community member. At the same time, Britain has had to struggle with the burdens of paying 21 per cent of the cost of the CAP while receiving only 8 per cent of its spending. This is because its relatively small agricultural sector produces few surpluses requiring EEC budget support.

The Commission is believed to have decided that a permanent solution to the British problem should be based on amending an existing arrangement, first negotiated in Dublin in 1975, so that it cuts back more heavily on the UK's gross payments to Brussels.

But it suggests that Britain's receipts from the budget could be boosted by a new mechanism to raise its share of farm spending more in line with its actual share of EEC farm production and of the Community's gross domestic product.

Walker attacks French farm subsidies — Page 4

Local poll results vital for Spadolini

By Rupert Cornwell in Rome

THE RESULTS will be known today of the weekend's key round of local elections in Rome, Genoa, Sicily and elsewhere, affecting almost 9m eligible voters.

The outcome of the polling, in which nearly a quarter of the total electorate is involved, could condition heavily the shape of the Government which Sig Giovanni Spadolini, the Republican party leader and Prime Minister-designate, aims to form by the end of this week.

However, it is already clear that once the jockeying for position is over between the five parties likely to enter the new coalition, economic problems will be the most urgent item on the agenda of Italy's 41st post-war Administration.

According to figures issued here yesterday, the country's trade deficit rose to L7,007bn (£3bn) in the first four months of 1981 from L5,291bn (£2.3bn) in the same period of last year. A return to the black by non-oil goods was wiped out by a jump of L2,753bn in the oil deficit to L7,694bn between January and April.

In a magazine interview to be published today, Sig Spadolini adds that the Bank of Italy so far this year has spent some $6.5bn to protect the fragile lira. Some respite may be in sight this summer, however, as the 30 per cent import deposit scheme starts to bite and foreign tourist revenues pick up.

The incoming Prime Minister plans to base his economic stabilisation strategy on a new "social contract" to cut costs, lower inflation, and strengthen the lira. But these hopes may be jeopardised this week if the employers association carries out threats to revoke unilaterally the scala mobile wage indexation agreement with the unions, signed in 1975. The unios have served notice that they would fibt any such move to the bitter end.

THE IMPEACHMENT OF MR. BANI-SADR

Iran edges nearer to civil war

BY TERRY POVEY IN TEHRAN

Mr Bani-Sadr . . . still in hiding.

"MR BANI-SADR has lost the title of President," said Hojatolislam Hashemi Rafsanjani, the Speaker of Iran's Parliament, as he closed the debate following yesterday's impeachment vote. "Thank God the line of America has been defeated" shouted a group of overjoyed deputies.

The National Assembly had voted overwhelmingly that President Abol Hassan Bani-Sadr is politically incompetent to retain his post: 177 deputies voted against him, only one in favour. Eleven abstained.

As the big loudspeakers on the outer walls of the parliament building broadcast the decision, several thousand militant fundamentalists lining the street outside leapt on to their motor-cycles and into the backs of lorries and drove around the city shouting the news.

The impeachment debate itself was conducted with great restraint. Although speaker after speaker denounced Mr Bani-Sadr as a traitor, an incompetent commander of the armed forces and an opponent of Islam, they still listened quietly to the handful of speeches in his defence.

There was no real debate, however. Only two of the six deputies who rose to speak against impeachment actually supported the President openly. The rest seemed to be speaking on behalf of the abstentions.

The atmosphere in the street outside Parliament was much less tolerant. The endless demands for Mr Bani Sard's execution made it seem more like a lynching than a debate over the future of the man who still holds the second highest position in the land.

Two other issues have overshadowed Sunday's parliamentary debate and the impeachment vote itself. First, Saturday's large and violent demonstration in support of Mr Bani-Sadr following which 15 people were summarily executed. Secondly, the whole country and the authorities are wondering where the President is hiding and what he will do next.

Saturday's demonstration, which was organised by the People's Mojahedin organisation, a left-wing Moslem group backing the President, clearly shook the fundamentalist authorities. For three hours tens of thousands of Mojahedin supporters exchanged rocks and the occasional bullet with their militant opponents. Heavily armed Revolutionary Guards fired bursts from automatic rifles and sub-machine guns in attempts to break up the demonstration.

Some 20 people are reported to have died in the clashes, the worst in Tehran for more than a year.

The streets of central Tehran were littered with broken stones and glass. The acrid smell of tear gas and burning tyres hung in the air for hours.

Other cities across the country including Isfahan, Tabriz and Mashad were apparently witness to similar events in what was clearly a nationally co-ordinated move.

As to the hiding place of Mr. Bani-Sadr, the feeling in Tehran is very much that he is still in the country and his supporters are expecting a major statement from him as soon as Ayatollah Khomeini, Iran's spiritual leader, formally dismisses him from the presidency. It is expected that this will take place within 24 hours.

The opposition, led by Mr Bani-Sadr and largely organised by the Mojahedin (who played a prominent role in the struggle to overthrow the Shah), now face a situation fraught with difficulties.

They can continue to organise hit-and-run style demonstrations but only at a very high cost in terms of human life. Another alternative, as the authorities are already claiming, would be to launch a civil war. Whatever course they take, they have so much become the object of the hate of Ayatollah Khomeini and the fundamentalists, that a period of harsh repression seems inevitable.

While it may still be too early to speak of imminent civil war it is impossible to ignore the fact that continued violent confrontations across the country could see the contending forces start to shoot it out. As supporters of Ayatollah Khomeini appear unable to tolerate opposition and are committed to dealing harshly with any expression of it, their opponents may feel forced to take the same road.

The speed of Mr Bani-Sadr's overthrow clearly took him and most of his supporters by surprise. Consequently, their response has been slow and uneven. What there can be no doubt about, however, is that a sizeable body of opinion in Iran favours Mr Bani-Sadr over his rivals.

Should he flee the country this could well strike a body blow to such support. But should he stay on in hiding then a civil war might become inevitable.

Obote says mutiny reports exaggerated

By Michael Holman in Kampala

REPORTS of mutinous troops in Uganda's West Nile region are "greatly exaggerated," according to President Milton Obote.

In an interview on the eve of his departure for Nairobi to attend the Organisation of African Unity summit meeting, he said there has been intermittent unrest in the region since October when supporters of the former dictator Idi Amin were said to have invaded from Zaire.

Some 1,000-2,000 people are estimated to have died in violence attributed by some observers to ill-disciplined Ugandan troops taking revenge on the people of Amin's home province.

As many as 250,000 fled to neighbouring Zaire and Sudan, crops were destroyed, homes burned and schools and hospitals forced to close.

Reports of the latest unrest reached Kampala on Friday. Relief workers in radio contact with their missions said mutinous troops had left their barracks and arrived in the Wst Nile capital, Arua, complaining of lack of food, bad conditions and poor officers.

Diplomats said last night that the Ugandan army had "retreated south" leaving Arua deserted and open to soldiers who had been part of Amin's army until his overthrow in April 1979.

Dr Obote, however, said there had been "a misinterpretation of the official administration arrangements." Following the withdrawal of the 10,000 Tanzanian troops who remained in Uganda after the war, he said, the Ugandan army is being redeployed in an exercise involving "large-scale transfers from one unit to another."

The relief agents appeared to have misunderstood the arrival in Arua of some soldiers from adjacent units as meaning they were deserting their positions, said the President. In fact, they were coming to Arua in order to go to their new units.

The problems in the region have no immediate impact on the security of the Government. The province makes no contribution to Uganda's coffee-dominated economy and the Government may well feel that its security priorities lie in and around Kampala and the area to the south.

Although there was a spate of incidents in and around Kampala earlier this year for which anti-Government guerrilla groups claimed responsibility, the capital has been comparatively quiet in recent weeks.

The President would not comment on reports that Morgan Grenfell are to become Uganda's financial advisers. But senior Government officials say a decision is expected soon and Morgan Grenfell appears to be the front runner.

Warburg Lazard Freres and Kuhn Loeb have also been involved in negotiations.

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Indian poll claim upheld

BY K. K. SHARMA IN NEW DELHI

INDIA'S ELECTION Commission has ordered a new election in a key constituency after investigating allegations of mass rigging against Mrs Indira Gandhi's Congress (I) party in last week's Parliamentary and state legislature by-elections.

Polling is to be held again before the end of September in the Garhwal constituency in the politically important state of Uttar Pradesh. Counting was suspended there when Mr H. N. Bahuguna, president of the Demoratic Socialist Front, made charges of malpractices.

The main charge upheld by the Commission was that many police were drafted into Garhwal from neighbouring states ruled by Congress (I). The unstated implication is that the police were used to intimidate voters.

The ordering of a re-poll is a serious blow to Mrs Gandhi and her party, which won five of the seven Parliamentary by-elections. The Marxists won one seat in West Bengal.

German current account in black

BY STEWART FLEMING IN FRANKFURT

IT IS too early to conclude that the corner has been turned in the fight to reduce the West German current account deficit despite the marked improvement in the April figures, according to the Bundesbank in its latest report.

The first three months, seasonally adjusted, the Bundesbank says there was no improvement in the current account over the DM 11.5bn (£2.45bn) deficit in the last quarter of 1980. In April, however, the trade figures showed a big surplus of DM 3.3bn, a marked recovery from the deficit in Narch

The April figures have raised hopes of a turning point in West Germany's external payments. The country's huge current account deficit (DM 28bn in 1980) has been a major factor behind the decline in the value of the D-Mark against the dollar

The Bundesbank admits that there are clear signs of a shift in the patterns of economic behaviour which should lead to an easing of external economic pressures. It cites not only increased exports in the first few months of the year but also energy saving which has resulted in a 17 per cent decline in the volume of oil imports in the first quarter, a halt in the growth of foreign travel expenditure and an improvement in the competitive position of domestic manufacturers in relation to imports.

It points out, however, that these trends have not manifested themselves in a marked reduction in the current account deficit largely because the decline in the value of the D-mark has resulted in a rapid rise in the cost of imports.

The Bundesbank concludes that "the clearly positive development of exports will not, or at least will not be strongly, reflected in the balance of trade while imports continue to become much more expensive

Backing for Hesse nuclear plan

THE Social Democrat Prime Minister of the West German State of Hesse, Herr Holger Boerner, yesterday won a vote of confidence for his pro-nuclear policies by a large majority, Roger Boyes reports from Bonn. Some two-thirds of the delegates at a special Social Democratic Party (SPD) Congress voted for Herr Boerner's policies—a convincing enough margin for him to continue with plans to build a nuclear re-processing plant in his state.

Bolivia standby credit

Bolivia has told its international bankers that it sees no chance now of reaching agreement with the International Monetary Fund on an SDR 170m ($200m) standby credit by June 28 as planned, Peter Montagnon reports.

Agreement with the IMF by this date was a crucial condition of the rescheduling arrangement covering about $450m in commercial debt signed with 128 banks at the end of April.

Air-control talks

Last-ditch talks aimed at averting a damaging nationwide strike of U.S. air-traffic controllers were going on in Washington last night, David Lascelles reports. The Reagan Administration, for whom the dispute marks the first big challenge to its Federal pay policy, claims a controllers strike would be illegal, and says it will seek a court injunction to force the controllers to stay on the jobs. About 15,000 of the country's 17,500 controllers are involved.

Haig will press Australia and NZ over defence

BY OUR FOREIGN STAFF

NEW ZEALAND and Australia will be asked to make a bigger defence contribution to ANZUS, their joint defence pact with the U.S., by Mr Alexander Haig, the U.S. Secretary of State, who arrived in Wellington for the group's two-day annual meeting yesterday.

Mr Haig is expected to tell the two countries that the U.S. wants them to play a more significant role in the area's defence planning. Although he is expected to receive a sympathetic hearing New Zealand will probably reply that it must have greater access to markets, particularly in the U.S. and Japan for its meat, dairy and other primary products before it can afford any significant increase in defence spending.

Before arriving in Wellington, Mr Haig had told the Foreign Ministers of the Association of South-East Asian Nations in Manila that the U.S. would "maintain and strengthen its own military capability in the Pacific as a contribution to the security of the area in the face of the Soviet military build-up."

Any application from Peking for arms, he added, would be considered on a case-by-case basis

He contrasted the economic progress of the ASEAN countries with the "stark tragedy and misery" of Vietnam, Laos and Kampuchea.

BOUYGUES

A winning community with a will to meet challenges

Extract from the message published by the Chairman, Francis Bouygues, in the foreword to the Bouygues Annual Report:

"The Group's record of substantial growth will be confirmed in forthcoming years. It is based on the extension and consolidation of its positions in France in all its specialist activities and also on a sharp recovery in export contracts.

The main areas of the world where Bouygues is active are the Middle East and the African countries in the Gulf of Guinea followed by Central and South America.

The signature of the contract for the construction of Riyadh University in a climate of international competition at a very high level is a striking example of our ability to undertake major projetcs as general contractor.

The progress of our Group results from the company team spirit, its technical innovation and flexibility.

We are a winning community with a will to meet challenges."

Highlights

Forecast turnover of the Group for 1981: 10 billion francs.

BOUYGUES GROUP (in millions of francs)	1979	1980	Variation
Turnover (tax inclusive)	5,543	7,615	+37 %
Net earnings	105.1	151.3	+44 %
Cash flow	219.8	296.3	+35 %
Investments	165.4	257.7	+60 %
INCOME PER SHARE (in francs)			
Consolidated cash flow per share	109.9	148.1	+35 %
Consolidated net earnings per share	52.5	75.6	+44 %
Dividend per share, including tax credit	23.63	31.50	+33 %

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14¾ per cent. Bonds 1986

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of which U.S. $75,000,000 are being issued as the Initial Tranche

Issue Price 99 per cent.

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Particulars of the Bonds are available from Extel Statistical Services Limited and may be obtained during normal business hours up to and including 8th July, 1981 from:-

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City-Gate House,
39-45 Finsbury Square,
London EC2A 1JA.

Phillips & Drew,
Lee House,
London Wall,
London EC2Y 5AP.

22nd June, 1981.

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Surge in U.S. exports to Europe 'should ease soon'

BY OUR WORLD TRADE STAFF

THE SURGE in U.S. exports to Europe over the last two years should slacken in 1981, according to the Conference Board in Europe, an economic research group based in Brussels.

"Many of the most successful of the U.S. exports are energy-intensive products benefiting from cheap energy in the U.S., but with the deregulation of energy prices, this advantage should prove short-lived," the Board says in a report published today.

The recent rise in the value of the dollar is also expected to slow U.S. exports. The Board notes that recession "struck the U.S. earlier than Europe and forced many American manufacturers to step up their exports". But, as a Board official commented, "there is no more recession in the U.S."

U.S. exports to Western Europe were worth $54.2bn in 1979 and $67.4bn in 1980, giving the U.S. a trade surplus of, respectively, $12.6bn and $21bn. Last year Europe accounted for 33 per cent of all U.S. exports, against 27 per cent in 1976.

The Board's analysis of the U.S. export performance shows the most spectacular growth in the sales of wood articles, ores and minerals, which more than doubled over the last three years.

Wood and man-made fibres to Italy, cars to Norway, fuels to Belgium, leather goods to France and Italy all registered growth rates of more than 250 per cent between 1978 and 1980, the Board said. Total sales to Belgium, Finland, France, Iceland, Ireland, and Spain rose by more than 40 per cent and to Switzerland by 70 per cent.

John Wyles in Brussels adds: The European Commission has launched an anti-dumping investigation sparked by the British Textile Employers Association into imports of U.S.-produced polyster-cotton sheets and pillow cases.

Call for Britain to boost food exports

By Gareth Griffiths

THE BRITISH processed food industry should look at ways to boost its exports, particularly with countries that run a trade surplus with the UK, Mr John Biffen, the Trade Secretary, said at the weekend.

The potential for the UK food industry to increase its share of overseas markets was unmistakable, he said. There was no reason why countries such as France, West Germany, the U.S. and Japan should not buy increasing quantities of food from the UK.

Mr Biffen told the Farmhouse Cheshire Cheese Federation that the pattern of food trading had changed dramatically over the past 30 years. In 1951 food, drink and tobacco accounted for about 40 per cent of the total import bill. In 1980 the percentage had fallen to under 12 per cent.

Food exports rose by more than 40 per cent in volume over the past five years, although imports were still running at twice the level of exports. Mr Biffen said the UK had never developed the traditions of food exporting in the same way as countries such as France or Italy.

Members of the Food Manufacturers Federation are currently considering a report on how to increase exports to the Netherlands.

FRENCH ARMS TRADE

Anxiety over new sales policy

BY DAVID WHITE IN PARIS

SOOTHING background music wafted round the military base at Satory, near Versailles, last week as the world's third largest arms exporting power showed off its wares to invited foreign delegations—many of them clearly worried about what the new Socialist Government means when it says that, in future, France will be more choosy about what weapons it sells, and to whom.

The Satory show, a two-yearly event dedicated to equipment for ground forces, came immediately after the international air show at Le Bourget airport, where President Francois Mitterrand insisted that French military exhibitors removed the armaments from their aircraft on the day of his visit. It was the least successful symbolic gesture he had made since his inauguration last month; at considerable cost, the manufacturers put their weaponry straight back on again.

Unlike the air show, there is no public access to Satory, no open day as at its British Aldershot equivalent. There is also no way of disguising what the show is about. This year there were 190 exhibitors, including French Government agencies and private and nationalised companies, displaying everything from tanks and mortars to food rations and camouflage netting. The catalogue ran to four volumes. Its Arabic index showed the industry's main source of growth in recent years: more than half of France's arms sales, including aircraft, go to the Middle East and North Africa.

France holds about 10 per cent of the world market, first behind the U.S. and the Soviet Union. Deliveries amounting to FFr 25bn (£2.2bn) last year made up 5 per cent of total French exports and the industry took FFr 35bn worth of new orders, almost half the total coming from two giant naval deals, with Saudi Arabia and Qatar.

Deal pending

The French air industry does between 40 per cent and 45 per cent of its business in military exports. The export side of Dassault, which has a deal pending with India for 150 of its new Mirage 2000 fighters, is now as much as 90 per cent military. The arms industry as a whole, with a turnover of FFr 60bn and a work force approaching 300,000, is as important to France as Renault, the car manufacturing giant.

The newly-elected French Socialist Party has from the outset opposed arms sales to "fascist and racist" regimes and urged a lesser dependence on military exports. The main remaining private interests—Dassault, Matra's missile factories and the Matra-controlled Manurhin small arms business—are scheduled for nationalisation.

During the Le Bourget and Satory shows, Socialist leaders repeated their more discriminating policy. "We intend, progressively, to cease being a major seller of arms on an international scale," said M Pierre Mauroy, the Prime Minister, who was echoed by the party's first secretary, M Lionel Jospin: "The health of the French economy should not rest on the role of gun-runner."

But attempts have also been made to allay arms producers' fears, especially on the part of the Defence Ministry. Above all, the Government has pledged to honour previous contracts.

The industry is in a state of wait-and-see. Deliveries under earlier deals are going ahead, but all new deals are held up with one exception: a contract to increase Egypt's fleet of Mirage-V aircraft, for which the new Government has given the green light. Manufacturers are hoping that new authorisations will begin to flow by the end of the month. Clients are prepared to give the new administration perhaps a three-month probation period.

The industry's main argument is that it needs large export turnover to make its programmes—and France's own independence in military equipment—feasible. "If we don't export," said a representative of one of the foremost exhibitors at Satory, "in 20 years we'll be making propeller aircraft and wooden missiles."

One of the novelties at the show was a short-range Matra surface-to-air system designed as France's answer to the SAM-7. A two-man portable version is due to be operational with the French forces in 1986. This may give the manufacturer an outlet for 10,000 units, but it is counting on selling two to three times as many abroad.

Manurhin, which pulled the covers off a lightweight, disposable anti-tank rocket launcher, due to go into mass production at the end of next year, was highly dubious about Government proposals for reconverting arms factories.

Private sector

It might, it said, be able to compensate for its domestic arms business by building up its specialised machine-tool interests. But its international position was essentially based on its weapons; half the group was non-military but exports were 70 per cent arms.

Not only the private sector manufacturers such as Thomson-Brandt but also the Government's arsenals and the state-owned Aerospatiale (headed by ex-President Mitterrand's brother) are highly-geared to exports. A number of products are destined solely for the foreign market: for instance, a "hot country" version of the AMX-30 tank, made by the army, or the Mirage 4000, Dassault's sophisticated new twin-jet fighter, an independent project.

Another argument is the diplomatic, and commercial, advantage obtained through the arms business. "Military sales gets us in through the front door," said an exhibitor, "in places where we are otherwise unknown."

Gabon hope for Taylor Woodrow

BY MARK WEBSTER IN LIBREVILLE

TAYLOR WOODROW and Wimpey are to take a 22 per cent stake in Eurotrag, the European building consortium most likely to win a $350m contract for the next phase of a railway across the Central African republic of Gabon.

The Gabonese state company in charge of the railway, OCTRA, confirmed that the two British companies had joined the Eurotrag consortium, which is building the first leg of the railway, in preference to launching their own bid.

Although seven other companies are also bidding for the contract, diplomats in Libreville believe Eurotrag is almost certain to win it. The company already has all the necessary infrastructure, equipment and expertise on site from its present work.

The British companies were encouraged by the Government of President Omar Bongo to bid for the work on the second phase because of official dissatisfaction at the huge cost overruns. On phase one, the first 325 kms will have cost more than $1bn by the time they are completed around 1986.

The contract would be the first big breakthrough for a British civil engineering company in oil-rich Gabon, which has traditionally been considered a preserve of France, its former colonial power.

But under the new agreement in Eurotrag, the French companies which had a controlling 50.7 per cent stake, have relinquished 22 per cent to the British companies with Taylor Woodrow leading the British side.

The positions of the other partners remain unchanged with Germany at 21.6 per cent, Italy 15.5 per cent and Belgium and Netherlands at 6.1 per cent each.

S. Africa set for port expansion

BY BERNARD SIMON IN JOHANNESBURG

THE GROWING reluctance of South African exporters to use the Mozambiqan port of Maputo has prompted the authorities to sanction a large expansion programme at Richards Bay, the coal export terminal north of Durban.

South African Railways is to build a bulk ship-loading facility at Richards Bay for products such as granite, steel and ferro-alloys which, until recently, were routed mainly through Maputo. In addition, three new berths will be provided at a cost of around R65m.

The project is due for completion in 1986.

Richards Bay already handles substantial tonnages previously exported through Maputo. The quantity of ferro-alloys moving through the port has increased from 23,800 tonnes in the year to March, 1980, to 342,000 tonnes in the following 12 months.

Both the South African and Mozambican Railways confirm that there has been a marked decline in exports through Maputo in the past year, and that goods have been diverted to Richards Bay, Durban and East London.

The move away from Maputo does not appear to be directly related to political tensions between South Africa and its black neighbours, although the South Africans have for some time realised the need for alternative facilities should Maputo be closed to South African traffic.

The importance of Richards Bay has grown markedly since the harbour was opened in April, 1976. The port handled 638 vessels in the 12 months to March this year.

SHIPPING REPORT

Large tankers still find buyers

BY OUR SHIPPING CORRESPONDENT

TANKERS provided the major news in the shipping market last week, with the continued slackness of oil trading causing British Petroleum and Royal Dutch/Shell to announce major cutbacks in their fleets.

On the sale and purchase market, large tankers were still finding buyers, said Galbraith Wrightson in its weekly report. But these were not at prices which could give sellers much consolation.

After a year on the market, the VLCC (very large crude carrier) Coraggio of 417,000 dwt was reported to have gone to a major U.S. oil group for nearly $23m, with the diesel-propelled 257,000 dwt Paraggi sold to Greek buyers for some $10.5m.

But Galbraith viewed the week's highlights as the reported sale of the combined oil and bulk carrier Sevonia Team of 105,000 dwt to U.S. buyers at $20m for July delivery.

It said there were more new building orders for tankers than for bulk carriers for the first time in many months. Most were for Norwegians, ordered from Swedish and South Korean yards, with Hong Kong owners placing orders in Japan.

As for the charter market, this remained in the doldrums, said E. A. Gibson. "Charterers have been conspicuous by their absence and without this demand, there is very little business to afford owners the opportunity of employing their vessels, let alone at anything approaching a rate sufficient to meet their overheads."

World Economic Indicators

INDUSTRIAL PRODUCTION

					Change over previous year %	Index base year
	May '81	Apr. '81	Mar. '81	May '80		
U.S.	152.1	152.3	152.2	144.3	+5.4	1967=100
	Apr. '81	Mar. '81	Feb. '81	Apr. '80		
UK	100.5	100.2	100.6	106.7	−5.8	1975=100
Japan	145.4	144.6	147.3	145.2	+0.1	1975=100
W. Germany	116.1	116.4	119.6	121.6	−4.5	1975=100
Italy	136.0	144.5	134.5	133.7	+1.7	1975=100
	Mar. '81	Feb. '81	Jan. '81	Mar. '80		
France	109.2	108.5	110.2	119.2	−8.4	1975=100
Netherlands	109.0	113.0	110.0	116.7	−6.6	1975=100
Belgium	112.6	112.9	116.5	121.8	−7.6	1975=100

Source: Eurostat (except U.S.A. and Japan)

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Walker hits at 'unfair' French aid to farmers

By Our Lobby Correspondent

MR PETER WALKER, the Agriculture Minister, yesterday hit out at the French Government's decision to inject £430m into its farming industry. He claimed that the move threatened the future of the whole EEC farm policy and insisted that national governments could not be allowed to go on giving aid of this kind.

With two weeks to go before Britain takes over the EEC presidency, Mr Walker urged other Common Market Farm Ministers to work towards a new plan for reforming the Common Agricultural Policy with the aim of eliminating surpluses and outlawing unfair competition—like the French Government's recent aid to its farmers.

One of the most important factors over the next 12 months would, he said, be "the degree to which the EEC Commission gets some conformity over national aid to farmers."

One of Mr Walker's biggest problems as President of the EEC Farm Council will be reconciling the interests of France and Britain. In an interview at the weekend, he made it clear that he regarded the French Government's recent aid to its farmers as contrary to the whole spirit of the CAP.

The French action had "created a new scene" as far as Europe was concerned: "If the EEC is responsible for the cost of disposing of surpluses and national governments inject substantial sums of *money to increase production*, you have a basic policy that cannot be allowed to continue."

He argued that assistance by national governments to any particular sector was "obviously totally unfair competition."

Mr Walker also stressed the priority he would attach during his presidency to dealing with the problems of surpluses of some agricultural products. A "degree of surpluses" was defensible but the size of the dairy surplus certainly was not.

He argued that it was essential that farm ministers should start thinking more clearly about the longer-term implications of the CAP.

Esso Chemicals seeking more aid at Mossmorran

BY SUE CAMERON, CHEMICALS CORRESPONDENT

ESSO CHEMICALS has asked the Government for extra assistance for its £360m petrochemicals project as Mossmorran in Fife.

The request, made some 10 days ago, was accompanied by a threat to abandon the project. However, there is considerable doubt within the Department of Energy as to whether this threat should be taken seriously.

There is some feeling at the highest levels that Esso Chemicals is merely trying to secure more state funds for the Mossmorran plant and to end all possibility of rival development—based, like that at Mossmorran, on the use of North Sea gases—at Nigg Bay on the Cromarty Firth.

There appears, however, to be some disagreement in the department over Esso's threat. Some officials believe it could be real because the group has been losing money on its UK chemicals and refining operations and may therefore wish to cut back on its capital spending.

The Mossmorran plant has been designed to make ethylene using ethane gas from Shell/Esso's Brent field. Ethylene—the so-called building block of the petrochemical industry—is used to make a range of items from solvents to plastics.

Esso, however, has now said the project may no longer by viable because of Europe's curren overcapacity in ethylene. The latest figures produced by the European industry itself predict a surplus of 3.7m tonnes a year by 1984.

Esso's Mossmorran project is thought to have attracted some £40m in regular government grants so far. Esso itself has already committed an estimated £30m to the plant. It had spent £10m by the end of 1978 and since then has placed £10m worth of orders in the UK and is thought to have placed a further £5m worth abroad. The site itself has also been cleared and the design work completed.

Grants could boost canal traffic

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE GOVERNMENT is to introduce legislation to give canal and waterway users access *to the grants already available* to private companies wishing to instal rail sidings or purchase rolling stock.

Mr Norman Fowler, the Transport Secretary, told MPs last week that he accepted the argument that "waterway facilities could in certain circumstances attract traffic which would otherwise go by road."

The State-owned British Waterways Board has been pressing for some time for canal users to be treated in the same way as British Rail customers. These customers are mainly *private companies, either manufacturers* or freight distributors, which are eligible for grants of 50 per cent of the capital cost of new or improved rail sidings and rolling stock.

These grants are available under Section 8 of the Railways Act 1974, which was specifically designed to encourage a switch of freight traffic from the roads to the railways.

Now Mr Fowler has told MPs that "grants should therefore be available to waterway users on the same basis as Section 8 grants are for users of the railways. We would want to introduce *legislation at the first* opportunity."

Applicants for grants are assessed on the environmental damage from lorries which would be avoided if the investment went ahead.

British Waterways owns and operates 359 miles of commercial waterway in Britain—a third of the total length including tidal rivers and estuaries, such as the Thames and Humber.

Dunlop takeover 'not attractive' just now

BY KENNETH GOODING

DUNLOP DOES not make an attractive bid target at the moment because the cost of supporting or closing down the loss-making British tyre operations would far outway the profit to be made on breaking up the group.

This is one of the main conclusions reached by stockbrokers Phillips and Drew in a deep study of Dunlop.

There has been persistent speculation about a bid for Dunlop following buying of its shares by Malaysian interests, which now own perhaps 27 to 30 per cent of the equity, and the dissolution of Dunlop's partnership with Pirelli, of Italy.

Mr Bill Seward, the partner who prepared the Phillips and Drew study, points out that Dunlop's holdings in its quoted subsidiaries and associates around the world are worth 136p a share compared with a market price for Dunlop of about 76p last week.

But he adds: "While the UK operations are heavily loss-making, the costs of either supporting them or closing them down seem likely to exceed the profit to be made by breaking up Dunlop at current levels and, in any case, the UK Government seems unlikely to permit any mass closure of UK operations."

Mr Seward suggests that Dunlop's UK tyre business will suffer further losses of £20m in 1981 against the £22m loss last year. Yet, he forecasts an operating profit of £5m in 1982 and one of £10m the following year.

This would help lift Dunlop's group pre-tax profits back from £10m last year to £18m in 1981, £63m next year and £80m in 1983.

Rising bank charges hit mail order companies

By Gareth Griffiths

MAIL ORDER companies have been faced with a "substantial" rise in operating costs because of an increase in bank charges for giro payments this month which could lead to changes in the way the companies collect money.

Banks put up charges for transactions within the bank giro system at the beginning of the month. Giro transactions, with customers making payments directly to the banks on the mail order companies' behalf, account for up to 80 per cent of the mail order companies' business and the charge per transaction has risen to between 20p and 30p.

Littlewoods, the second largest mail order retailer, says the increase has added £9m a year to operating costs, for example. Previously it paid around 1p a transaction. In common with other mail order companies, Littlewoods is looking at ways to collect orders and *transactions at the same time*, using its own employees. The number of individual transactions a year is high; the average Littlewoods agent pays in 25 times a year.

Bank giro

Despite the search for alternatives, the mail order companies say they are very dependent on the bank giro system, with no real prospect of change at present. Cheques sent directly to the companies account for between 15 per cent and 20 per cent of their total receipts from customers, with postal orders accounting for a further very small amount.

The high rate of poundage on postal orders means, however, that mail order companies have ruled them out as an alternative to bank giro payments. They see the proposed relaxation of the Post Office monopoly as offering a possible way of collecting orders and payments directly from mail order catalogue agents, not using the public mails.

An all-party group of MPs who have mail order businesses in their constituencies is to see Mrs Sally Oppenheim, the Consumer Affairs Minister, this week to discuss the implications for the industry and also to press for a possible Office of Fair Trading investigation.

The Union of Shop, Distributive and Allied Workers estimates that the increased charges could threaten at least 5,000 jobs. Most mail order companies are concentrated in North West England and tough trading conditions during the past year have meant reduced profits. Companies find themselves unable to pass on additional costs.

Delay in recovery forecast by Cambridge study

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RECOVERY from the recession is likely to be delayed with total output only rising above its 1979 level in 1984, Cambridge Econometrics argues in a gloomy new assessment this morning.

The annual inflation rate is expected to remain in double figures fluctuating between 10 and 12 per cent over the next few years while unemployment will rise to 3.4m by 1985.

Cambridge Econometrics is *the commercial arm* of the Cambridge Growth Project. It is based on the university's Department of Applied Economics. It is completely separate from the Cambridge Economic Policy Group run by Professor Wynne Godley in the same department.

The forecasters suggest that Gross Domestic Product will fall by 1.9 per cent this year before rising by 1.3 per cent in 1982 and by 2.5 per cent in 1983. This "pre-election boom" is expected to reflect a Government decision to cut taxes, a rise in world trade, and improved wage competitiveness.

The analysis suggests that a slow rise in output in the later 1980s will not be accompanied by a halt to the rise in unemployment because of improvements in productivity.

Looking at the longer-term prospects, Cambridge Econometrics suggests that manufacturing output will not regain its 1979 level by 1990 and at that date the production of engineering and allied industries will be 17 per cent less than in 1979.

Looking into the 1990s and beyond, the economists are slightly more optimistic, arguing that the growth rate will improve. "Despite the slowdown in oil production the economy will not necessarily enter the next century with a massive accumulation of economic problems," they say.

● Redundancies in the Northwest in the first five months of the year suggest that the 1981 total will exceed the record set last year, according to Mr Colin Barnett, secretary of the Northwest council of the TUC.

The total for the first five months of 1981 reached 43,623—compared with 31,840 in the same period last year.

● Merseyside could lose up to another 80,000 jobs over the next five years, according to a confidential report drawn up by the Merseyside County Council planning department. At the least, the report predicts 27,000 jobs will be lost.

Lloyds Bank optimistic about £'s strength in 1981

FINANCIAL TIMES REPORTER

LLOYDS BANK believes that the pound will remain fairly *strong on the currency markets* this year but that it could fall against Continental currencies in 1982.

In its latest economic bulletin, the bank says that sterling may rise to \$2.09 by the end of 1981 while remaining relatively strong against the D-mark and other European currencies.

During 1982, sterling could continue to rise slightly, reaching \$2.15 as the dollar weakens generally, but the pound is expected to fall against the D-mark and some of the other European currencies.

This month's fall in sterling against the dollar has had a limited effect on British export competitiveness because of the pound's continued strength *against European currencies*.

However, the bank says, the effect of sterling's drop in raising import costs had been mitigated by the fall in the dollar price of world commodities.

The bank's forecasts are made on the assumption that the link between the dollar and the U.S. inflation rate is much stronger than the relationship between the pound and inflation in Britain. Lloyds predicts that British retail price inflation will remain at an annual rate *of about 11 per cent up to* mid-1982, while the U.S. rate will continue at about 10 per cent until then.

Imported cutlery deal

FINANCIAL TIMES REPORTER

THE Federation of British Cutlery Manufacturers has appealed to advertisers to display voluntarily the country of origin of wares. In six months it becomes obligatory for imported cutlery to be marked

Imports account for about 70 per cent of the whole cutlery market. The federation has campaigned for some time for the identification of country of foreign-made wares, the majority of which come from South Korea.

The federation said: "The consumer has a right to know where his cutlery comes from." It appealed to advertisers to "start telling the consumer now the truth about what they are buying."

Southport resorts to business advice

By Rhys David

SOUTHPORT, that exclusive Victorian resort and residential town on the Lancashire coast, is the latest area to start a community-based scheme to advise potential entrepreneurs on how to set up companies.

The town, famous for Lord Street, a wide tree-lined shopping boulevard, and for race-horse training, has traditionally been dependent for employment on a range of small concerns, most of which have cut their staff over the past 18 months, and on the tourist trade, now suffering from the effects of yet another poor summer.

Many of Southport's residents, who include a large proportion of senior executives, travel outside the vicinity as far as Liverpool and Manchester. They too have been affected by closures in those cities. As a result unemployment in the town, which since 1974 has been part of the County of Merseyside, has now risen to 16 per cent.

A new scheme, Southport Enterprise, follows similar initiatives elsewhere on Merseyside at St Helens and in the Wirral. But, according to its chairman, Mr Anthony Pedlar, managing director of Broadbents, the town's main department store, it will differ in one important respect.

In the other two areas, he points out, big businesses, like Pilkington and various other big employers in St Helens, and Unilever at Wirral stand behind the schemes, while not being directly involved in their running. In Southport, the biggest employer is the BICC subsidiary Dorman Smith, with 300 staff, which manufactures the Traflamp, a flashing road works hazard light.

As a result, the Southport scheme will be relying much more heavily on local individuals and small businesses to advise potential entrepreneurs on how to start their own concerns. These efforts will be co-ordinated by a full-time chief executive, Mr Douglas Anderson, who takes up his appointment in September.

Mr Pedlar said yesterday thata variety of sites were available to entrepreneurs interested in moving to the town, including units being built by the English Industrial Estates Corporation. The trust, which includes representatives from the three main political parties and the local authority, will have no direct funding. It will put its clients in touch with resources available in the private sector, from Merseyside County Council and Government agencies.

Inquiry into motorway links faults refused

BY LISA WOOD

A REQUEST for a public inquiry into serious faults in the motorway links between the M5 and M6 in the West Midlands has been refused by the Transport Department—but the possibility of legal action—over possible design or construction defects has not been ruled out.

The structural faults on the link, which centres on Spaghetti Junction, Europe's most complex overhead motorway exchange, could ccost up to £20m to rectify over the next few years, according to Mr Kenneth Clarke, Parliamentary Under-Secretary of State for Transport.

In a letter this weekend to West Midlands County Council, which is responsible for motorway maintenance in the area, Mr Clarke said he felt that an inquiry was not justified at present. The council had told the department that the reasons why such a relatively new stretch of motorway had problems should be investigated.

Mr Clarke said: "If we held an inquiry now, it would almost inevitably delay the programme of work needed to discover where responsibility lies."

The priority was "to discover every detail of the condition of *the structure.*" If evidence in any inquiry was given in public, it would almost certainly prejudice any legal process afterwards.

The department had been told to discover "whether any parts of the maintenance problem can be regarded as due to defects in design or construction."

Consulting engineers had already submitted about 72 reports on the condition of the motorway. They had all been made available to the public, except one involving investigation of bearings supporting steel deck beams.

Non publication of this report was not a cover-up. It had not been made available "because it includes a certain amount of proprietary commercial information."

A final report was expected at the end of August and he hoped this would be made public, but it was not expected that all the bearings would have to be replaced.

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BALANCE SHEET AFTER APPROPRIATIONS

ASSETS	31/12/79	31/12/80	LIABILITIES	31/12/79	31/12/80
Cash, issuing houses, treasury, post office giro	513,436,644	987,173,083	Issuing houses, treasury, post office giro	2,168,540,058	3,298,774,797
Banks and finance institutions ans corporations	11,055,795,987	15,171,586,497	Banks and finance institutions and corporations	11,495,527,463	14,671,182,915
Treasury notes, securities received as collateral or bought firm	667,172,811	185,720,800	Securities given as collateral or sold firm	—	803,399,634
Credit to customers	3,074,451,010	5,009,284,277	Customers' creditor accounts	1,157,770,705	1,571,531,588
Customers current accounts, overdrafts	56,806,000	61,552,598	Special savings accounts	6,705,903	17,667,128
			Accounts payable after collection	40,566,905	99,333,531
Cheques and bills for collection	40,566,905	99,333,531	Suspense accounts, provisions and sundries	488,236,699	846,830,719
Suspense accounts ans sundries	526,240,056	737,241,976	Debentures	502,000,000	829,559,800
Securities transactions	157,713,483	11,071,082	Subordinated loan	50,000,000	150,000,000
Securities portfolio	70,540,015	288,332,488	Reserves	63,523,523	79,427,263
Shareholdings and interests in subdiaries	43,250,446	46,908,810	Capital	250,000,000	250,000,000
Fixed assets	16 897 919	19 492 232			
TOTAL ASSETS	16,222,871,256	22,617,707,375	TOTAL LIABILITIES	16,222,871,256	22,617,707,375

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June 1981

هكذا من الأصل

Savings fall in May but hopes high for 1981/82 takings

BY TIM DICKSON

NATIONAL SAVINGS receipts almost halved in May compared with April—but, only two months into the current financial year, the Government has already pulled in more than £1bn of the £3bn target set for National Savings in 1981/82.

Provisional figures announced yesterday show that net National Savings receipts for May, including accrued interest, amounted to £363m, compared with £686m in April.

The biggest contribution last month came from non-index-linked savings certificates which attracted £174m gross (£123m net after repayments). Most of this (£119m gross) came in the first week of May through sales of the highly-popular 19th issue, which returns 10.33 per cent free of all taxes if held for a full five years. The 19th issue was withdrawn on May 9.

Its replacement, the 21st issue, which offers 9.02 per cent over the same period, accounted for £55.6m.

Index-linked certificates, meanwhile, also appear to have lost some of their appeal. Net receipts from this source in May totalled £104m, only half the figure recorded in April when the age limit on "granny bonds" was reduced from 60 to 50.

The £1.06bn net which the Government has pulled in so far this financial year, however, is still an awesome total and many observers feel the £3bn target for 1981-82 will be achieved well before next March.

Consultation in industry increasing, says survey

By John Elliott, Industrial Editor

MORE THAN nine out of every 10 chief executives meet their employees regularly to discuss the state of their businesses according to a survey now being conducted by the Confederation of British Industry.

About 60 per cent of companies also have some form of workers' council or consultative committee where managers meet workers' representatives.

These facts emerge from the early returns to the survey.

More than 300 companies with a total of 1.75m employees have replied so far and about 280 have reported that their chief executive "regularly" meets employees.

The CBI says this is a considerable improvement on previous surveys, although it regrets that 40 per cent of the companies still do not have some form of consultative council.

More than half the 300 companies that have replied also believe there is "greater realism" in wage negotiations. However, the replies have not yet been analysed sufficiently to indicate whether this is a permanent development, stemming mainly from improved consultation, or a temporary phenomena caused by fears induced by the recession.

FT SURVEY OF CONSUMER CONFIDENCE

Unemployment and price rises shift trend

BY GARETH GRIFFITHS

THE LEVEL of consumer confidence in the UK has fallen sharply, according to a Financial Times survey published today, with increasing concern over rising prices and unemployment.

The June survey of 979 adults throughout the UK revealed a 9 per cent drop in the future confidence index compared with last month. Some 19 per cent of consumers expect conditions to improve in a year and 41 per cent expect conditions to get worse. This gives an index figure of minus 22 on balance and is in sharp contrast to the sharp rise in confidence last month.

However, the six monthly average of the Future Confidence Index shows a rise, bringing it to its highest level for almost two years at minus 21. Yet respondents are uncertain about their expectations and the monthly index continues to fluctuate.

Consumers are feeling gloomy about their present position, too, and only 18 per cent of respondents felt they had become better off over the past year. Compared with this, 50 per cent felt they were worse off. The Past Prosperity Index for June stood at minus 32 on balance, a slight fall against last month, although still below the immediate post-Budget slump in April.

The six-monthly trend shows a fall for the fifth successive month and is now at minus 27, the lowest level for almost four years. This index is likely to remain at a low level for the near future.

There has been a sharp increase in the number of consumers worried about inflation, 25 per cent of respondents giving this as their main reason for pessimism, the highest proportion this year. There has been an increase of a third in the number of people giving this answer.

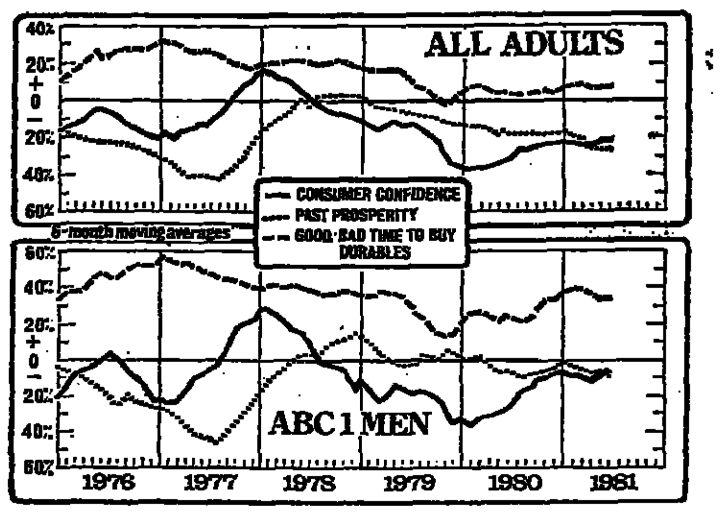
Unemployment is again cited this month as consumers' main worry. The number of respondents expressing concern over this was 45 per cent compared with 43 per cent last month.

The Government can draw little comfort from the survey, as 21 per cent of respondents blame government policy for deteriorating conditions. This proportion has remained fairly constant since the beginning of the year.

Criticism of government policy is particularly marked from men in the C2DE socio-economic groups where the ratio of anti-Government to pro-Government comments is more than 11 to 1 against. But the Government still retains support in the ABC1s where there are slightly more pro than anti-Government comments.

Consumer optimism remains based on the somewhat nebulous reason that things must improve. Some 66 per cent of consumers give this as their reason for optimism. A fifth of respondents expressed a belief in the efficacy of the Government's economic policies and 9 per cent say the economy is getting stronger.

Not surprisingly there is less confidence among the C2DE groups than the others. The past prosperity index among C2DE men, the manual workers, is now at minus 51 per cent, only just above its lowest. The other groups are showing much more confidence and buoyancy. The class differences on the "time to buy" index are now greater than ever and the survey gives more confirmation of the existence of two consumer nations, which it has been suggesting for the past several months.



The unemployment index remained the same as last month with 55 per cent expecting an increase in unemployment over the next year and 13 per cent expecting a decrease. This gives an unemployment index of 42 per cent on balance.

Pessimism about employment prospects is deepest in the North-West and Yorkshire where 50 per cent of consumers on balance expect unemployment to increase. Surprisingly, London and the South-East is no longer the most optimistic area and 43 per cent in the region believe unemployment will increase compared with 38 per cent in Wales and 32 per cent in Scotland and the North-East.

The pattern of consumer purchasing revealed by the survey has been falling since the Christmas and New Year sales and is now a negative figure, the first time this year. Minus 4 per cent of respondents on balance say it is a time to buy big things for the home with 36 per cent saying it is a good time and 40 per cent a bad time.

THE WEEK IN PARLIAMENT

TODAY

Commons—Representation of the People Bill, second reading.

Lords—Trustee Savings Banks Bill, second reading. British Nationality Bill, second reading.

Select Committees—Home Affairs, Sub-committee on Race Relations. Subject: Commission for Racial Equality. Witnesses: Staff of the Commission, ASTMS Community Relations Group. (Room 15, 11 am.) Education. Subject: Secondary school curriculum and exams. Witnesses: Cardinal Hume, Archbishop of Westminster, British Humanists Association, National Secular Society. (Room 6, 4 pm.)

Treasury. Subject: Financing nationalised industries Witnesses: Accepting Houses Committee, Issuing Houses Association, Sir Francis Tombs. (Room 15, 4.30 pm.) Public Accounts. Subject: Investment appraisal methods. Witnesses: Treasury. (Room 16, 4.45 pm.)

TOMORROW

Commons—Supply day debate on RAF.

Lords—New Towns Bill, second reading. Acquisition of Land Bill, second reading. Licensing (Alcohol Education and Research) Bill, committee. Atomic Energy (Misc.) Bill, second reading. Education Bill, second reading. Debate on EEC fruit and vegetable policy.

WEDNESDAY

Commons—Debate on unemployment. Road Traffic (Car sharing arrangements) (NI) Order.

Lords—Debate on Government policy on higher and further education.

Select Committees—Education: Subject: Secondary school curriculum and exams. Witnesses: Most Rev. Robert Runcie, Archbishop of Canterbury, Rev. A. L. Macarthur, lately Moderator of Free Church Federal Council. (Room 8, 10.30 am.) Industry and Trade. Subject: European air fares. Witnesses: British Caledonian, British Airways. (Room 16, 10.45 am.)

THURSDAY

Commons—Fisheries Bill, Lords amendments. Representation of the People Bill, remaining stages.

Lords—British Telecommunications Bill, third reading. Education (Scotland) Bill, second reading. Countryside (Scotland) Bill, report. Short debate on completion of Edinburgh Outer City By-pass.

Select Committees—Treasury. Subject: Efficiency and effectiveness of Civil Service. Witness: Mr. Kenneth Sharp, Head of Government Accountancy Service. (Room 15, 4.15 pm.)

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
BSG Intnl. Excelsior Hotel, Birmingham Airport, Birmingham, 11.00
Bishopsgate Trust, 41, Bishopsgate, EC, 2.30
Costain, Plaisterers Hall, 1, London Wall, EC, 12.00
Early (Charles) and Marriott (Witney), Witney Mill, Witney, Oxfordshire, 2.30
Hill (Charles) of Bristol, 129, Cumberland Road, Bristol, 11.00
Marshall's Universal, Fairfield Halls, Park Lane, Croydon, 12.00
Outwich Inv. Tst., 56, Leadenhall Street, EC, 2.30
Wimpey (George), Royal Garden Hotel, Kensington High Street, W, 12.00

BOARD MEETINGS—
Finals:
Anderson Strathclyde
Cropper (James)
Walker and Staff
Whitecroft

DIVIDEND & INTEREST PAYMENTS—
City of Oxford Inv. Tst. 3.75p
East Surrey Water A 7pc (fmly 10pc) Max. 3.5pc
Do. B 4.9pc (fmly 7pc) Max. 2.45pc
Do. C 3.5pc (fmly 5pc) Max. 1.75pc
Do. 3.5pc (fmly 5pc) Pf. 1.75pc
Do. 3.15pc (fmly 4½pc) Red. Pf. 1980-1985 1.575pc
Do. 4.2pc (fmly 6pc) Red. Pf. 1985-90 2.1pc
Do. 4.55pc (fmly 6½pc) Red. Pf. 1981-1983 2.275pc
Do. 5.6pc (fmly 8pc) Red. Pf. 1992-94 2.8pc
Farmer (S. W.) 8.1p
Hyman (I. and J.) 0.4136p
Lone Star Inds. 46.25cts
Midland Intnl. Financial Svcs BV Gtd. Fltg. Rate Notes 1989 US$494.5
Parambo 0.4p
Royal Dutch Petroleum (Reg.) 38.5pc
Scottish European Inv. 1.25p
Securities Trust of Scotland 3p
Selected Risk Invs. SA (Br.) 25cts

TOMORROW

COMPANY MEETINGS—
Bardsey, 24, Portland Place, W, 11
Black (A. and C.), 34, Bedford Row, WC, 4.30
Brixton Estate, 22-24, Ely Place, EC, 12.00
English National Inv., 11, Austin Friars, EC, 12.00
Estate Duties Inv. Tst., Skinners' Hall, 8½, Dowgate Hill, EC, 12.15
Helene of London, Great Eastern Hotel, Liverpool Street, EC, 12.00
Holt (Joseph), Woodthorpe Hotel, Bury Old Road, Prestwich, Manchester, 12.00
Neill (James), Napier Street, Sheffield, 12.00
Ottoman Bank (Br.), The Baltic Exchange, 14-20, St. Mary Axe, EC, 11.30
Runciman (Walter), 52, Leadenhall Street, EC, 12.00
Silentnight, Winchester House, 100, Old Broad Street, EC, 12.00
UDS Group, Churchill Hotel, Portman Square, W, 12.00

BOARD MEETINGS—
Finals:
Austin (E.) (London)
Baraoora Tea
Charter Consolidated
Elswick-Hopper
Evans of Leeds
GEI Intnl.
Halma
Hambros
Mansfield Brewery
Moorgate Mercantile
Norwest Holst
Nova (Jersey) Knitwear
Ocean Wilsons
Paterson (R.)
Racal Electronics
Tecalemit
Interims:
Ashdown Inv. Tst.
First National Finance Corp.
Hardys and Hansons
Lee (Arthur)

DIVIDEND & INTEREST PAYMENTS—
Girozentrale Und Bank Der Osterreichischen Sparkassen Fltg. Rate Sub. Notes due 1991 US$36.94
Nat. Westminster Bank Fltg. Rate Cap. Notes due 1990 US$91.63
Outwich Inv. Tst. 1.94p
Scandinavian Finance BV Stlg. Fltg. Rate Notes due 1990 £32.45
Do. BV Stlg. Fltg. Rate Notes 1990 $32.45
Sungei Bahru Rubber Estates 0.75p
Thai Farmers Intnl. Finance Gtd. Fltg. Rate Notes 1984 US$91.63
United States Deb. Corp. Conv. 5pc Cnv. Ln. 1993 on 27/8 Repayment to be lodged by 23/6 2½pc
Urquijo Intnl. NV Gtd. Fltg. Rate Notes 1981 9⅛pc

WEDNESDAY, JUNE 24

COMPANY MEETINGS—
Advance Services, Stratton House, Stratton Street, W, 12.00
Allebone and Sons, 9, Station Road, Kettering, Northamptonshire, 12.00
Antofagasta (Chili) and Bolivia Rly, Winchester House, 100, Old Broad Street, EC, 12.15
Border Breweries (Wrexham), Wrexham AFC Centenary Club, Wrexham, 12.00
Crother (John), Union Mills, Milnsbridge, Huddersfield, 11.00
De Vere Hotels Restaurants Connaught Rooms, Great Queen Street, WC, 12.00
Edinburgh Inv. Tst., 3, Charlotte Square, Edinburgh, 12.00
Ellis and Goldstein, Barrington House, Wood Street, EC, 12.00
Haveringham Group, Head Office, Hoveringham, Nottingham, 11.00
London and Northern Group, Essex Hall, Essex Street, WC, 3.00
London Atlantic Inv. Tst., 91, Waterloo Road, SE, 10.30
London Pavilion, Cafe Royal, 68 Regent Street, W, 12.00
North (M. F.), Stanhope Court Hotel, Stanhope Gardens, SW, 2.30
Rickmansworth and Uxbridge Valley Water, London Road, Rickmansworth, 11.45
Scottish Heritable Tst., 11, George Square, Glasgow, 12.00
Soccombe Marshall and Campion, 7, Birchin Lane, EC, 3.30
Tootal, 56, Oxford Street, Manchester, 12.00
Triplevest, 117, Old Broad Street, EC, 12.00
Towles, Queen's Road, Loughborough, Leicestershire 11.30
Trust Union, Mermaid House, 2, Puddle Dock, EC, 2.30
Warrington (Thomas), Queen Hotel, City Road, Chester, 11.00

BOARD MEETINGS—
Finals:
BPB Inds.
Brickhouse Dudley
Chloride
Cocksedge
Duport
Ferranti
Hicking Pentecost
Powell Duffryn
Interims:
Anglia Television
Castlefield (Klang) Rubber Estate
Irish Distillers
Killinghall (Rubber) Development Synd.
Scottish American Inv.
Throgmorton Trust

DIVIDEND & INTEREST PAYMENTS—
Allebone and Sons 1p
Ellis and Goldstein 1.3p
English National Inv. Pf. 1.31p
Do. Dfd. 2.79p
Holt (Joseph) 5.5p
London Pavilion 12.5p
Manchester 3pc Red. Cons. 1928 (or after) 1½pc
Do. 4pc Cons. Irrd. 2pc
Metropolitan Water Board Kent WW 3pc Db. 1½pc
Peachey Property Corp. Db. 3½pc
Stone-Platt Inds. Repayment of 7pc Db. 1984-89 at £97.50 per £100 Nom. together with accrued interest
Walker (J. O.), Leicestershire Moat House, Wigston Road, Oadby, Leicester, 12.30
Williams (Benj), Cranes Close, Basildon, Essex, 11.30

BOARD MEETINGS—
Finals:
Associated Communications
Baker Perkins
Burnett and Hallamshire
Electric and General Inv.
Electrocomponents
Executex Clothes
Jatel
Norcros
Petbow
Plessey
Redland
Renold
Roan Consolidated Mines
Scapa
Shaw Carpets
Triplex Foundries
Interims:
Braid Group
Henlys
Lookers
United Guarantee
United States and General Tst. Corp.

THURSDAY, JUNE 25

COMPANY MEETINGS—
Canadian and Foreign Inv. Tst., The Stock Exchange, Throgmorton Street, EC, 12.00
Estates and General Invs., Savoy Hotel, Strand, WC, 12.00
External Inv. Tst., Three Quays, Tower Hill, EC, 12.45
Feedex Agricultural, Daisy Hill, Burstwick Hull, 2.00
Findlay Hardware, 1175, South Street, Glasgow 12.45
Folkes (John) Hefo, Chamber of Commerce, 75, Harborne Road, Birmingham, 12.00
General Scottish Trust, 4, Melville Crescent, Edinburgh, 12.15
Grampian Television, Television Studios, Queen's Cross Aberdeen, 12.30
Holyrood Rubber, 1-4, Great Tower Street, EC, 11.00
Hongkong (Selangor) Rubber, 1-4, Great Tower Street, EC, 3.00
House of Fraser, City Hall Candleriggs, Glasgow, 12.00
Kuala Selangor Rubber, 1-4, Great Tower Street EC, 12.30
Lee Cooper, Cafe Royal, Regent Street, W, 12.00
Mersey Docks and Harbour, Port of Liverpool Bldg., Liverpool, 11.30
Mothercare, Winchester House, 100, Old Broad Street, EC, 11.00
1928 Inv. Tst., 1, Brewer's Green, Buckingham Gate, SW, 3.00
Pickles (Wm.), St. James's Club, Charlotte Street, Manchester, 10.30
Porter Chadburn, St. George's Hotel, Lime Street, Liverpool, 12.15
Slingsby (H. C.), Victoria Hotel, Bridge Street, Bradford, 10.30
Sphere Inv. Tst., Mermaid House, 2 Puddle Dock, EC, 12.00
Transatlantic and General Invs., Three Quays, Tower Hill, EC, 12.15
Uniflex, 43, Conduit Street, W, 10.00
Vickers, Millbank Tower, SW, 12.00

DIVIDEND & INTEREST PAYMENTS—
Automotive Products 1.51899p
Black and Decker Manf. 19cts
Casket (S.) 0.5p
Chesebrough-Ponds 38cts
Edinburgh Inv. Tst. 1.12p
Halliburton 30cts
Holyrood Rubber 30p
Hunt (Charles) 1.65p
North (M. F.) 0.675p
Scottish Mortgage and Trust 2.8p
Trust Union 1.55p

FRIDAY, JUNE 26

COMPANY MEETINGS—
Aberdeen Construction, Station Hotel, Aberdeen, 12.00
Bilton (Percy), Bilton House, Ealing, W, 12.00
Clark Son and Morland, Morland Sports and Social Club, Street Row, Glastonbury, 10.30
Copydex, Institute of Directors, 116, Pall Mall, SW, 12.00
Foseco Minsep, 36, Queen Anne's Gate, SW, 12.00
Garner Booth, Grange House, 84/86, Borough High Street, SE, 2.30
Gaskell Broadloom Saxon Inn Motor Hotel, Preston New Road, Blackburn, 12.00
Hall (Matthew), Hotel Russell, Russell Square, WC, 12.00
Headlam Sims and Coggins, Chapel House, 12A Upper Berkeley Street, W 11.00
Laing (John), Page Street, NW, 3.00
MacDonald Martin Distilleries, MacDonald House, 186, Commercial Street, Edinburgh, 12.00
Miller (F.) Textiles, 14, St. Vincent Place, Glasgow, 12.00
Tove, Connaught Rooms, Great Queen Street, WC, 12.00

BOARD MEETINGS—
Finals:
Elliot Group of Peterborough
Kleen-E-Zee
Lloyd (F. H.)
Rediffusion
Sonic
Spong
Interim:
Nash (J. F.) Securities

DIVIDEND & INTEREST PAYMENTS—
Bradbury Wilkinson 6pc Pf. (free of tax) 3pc
Estate Duties Inv. Tst. 1.5p
Falcon Mines 25cts
GT Inv. Fund 10cts
Grampian Television NV A 1.75p
Hepworth (J.) 0.79p
Higsons Brewery 0.4p
Hongkong (Selangor) Rubber 26p
KCA Intnl. 2.75p
Kuala Selangor Rubber 9p
Leadenhall Sterling 2.125p
Massmutual Mortgage and Realty Investors 44cts
Pearson Longman 4.605p
Pearson (S.) 6.25p
Petrolane Inc. 10.5cts
Platignum 0.01p
Pochin's 0.875p
Sphere Inv. Tst. 3.4p
Thomas Nationwide Trans. 3cts
Utico Pf. 3½pc
Wheespe 3p

SATURDAY, JUNE 27

DIVIDEND & INTEREST PAYMENTS—
Cambrian and General Secs. 2p
Lex Service 6½pc Pf. 2.275pc
Do. Ln. 4½pc
Miller (F.) (Textiles) 1.3p

SUNDAY, JUNE 28

DIVIDEND & INTEREST PAYMENTS—
Drayton Commercial Inv. Conversion of 6½pc Conv. Ln. 1986 on 28/8 repayment to be lodged by 28/6
Guest, Keen and Nettlefolds Ln. 3½pc
Do. Dbs. 3, 36 (1976-81), 3 (1984-89), 3¼, 3½, 3⅝ (1987-92), 3⅝ (2nd Sers.), 4⅞, 5¼, 5¾pc
Petaling Tin Berhad 6.1230p.

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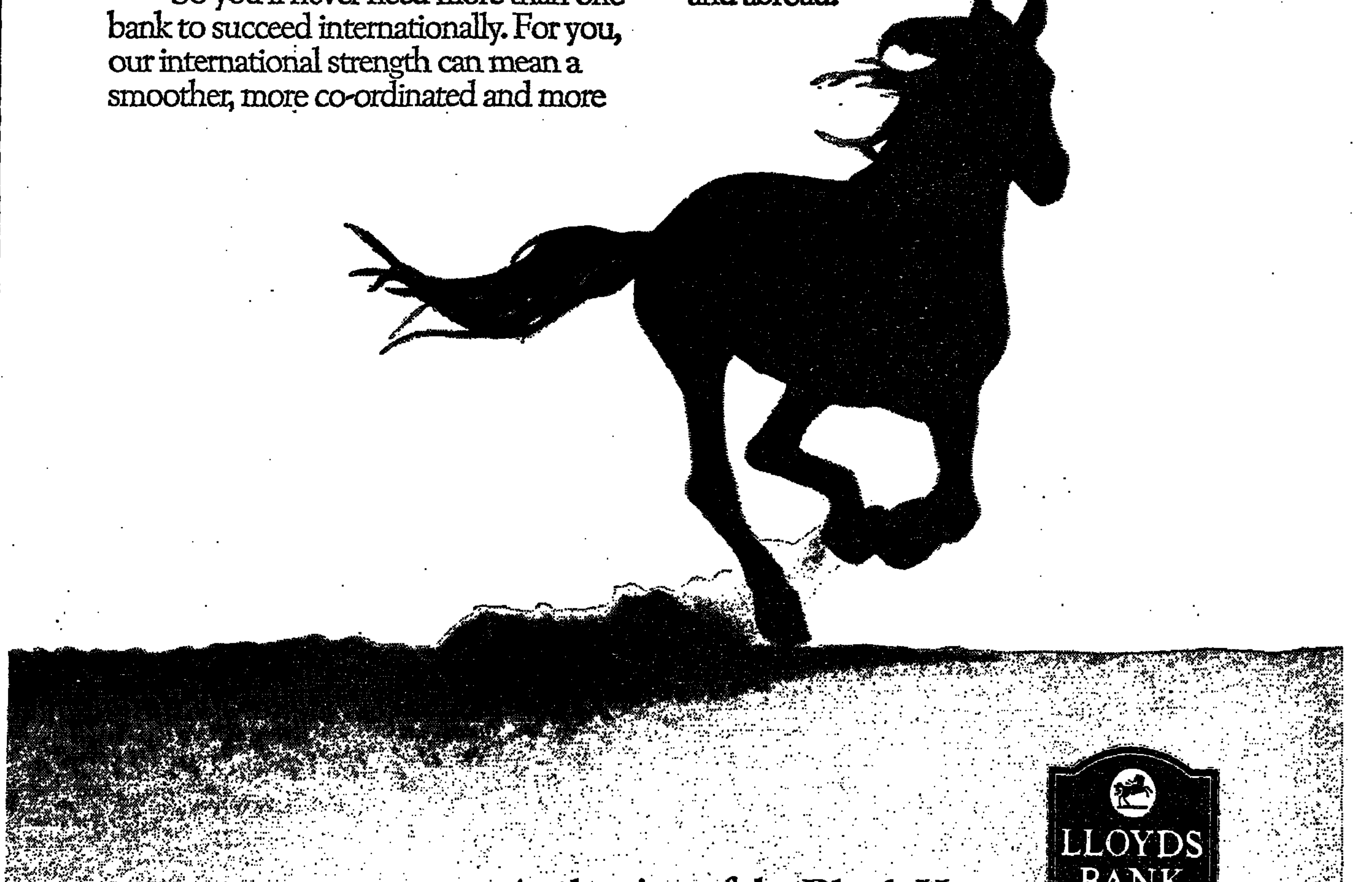

At the sign of the Black Horse

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Civil Service strike leaders await result of £2m cash appeal

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE union leaders will today begin a careful review of their selective strike programme as union members are called on to raise £2m to revitalise the campaign, now entering its 16th week with no early end in sight.

Members of the campaign co-ordinating committee of the Council of Civil Service Unions have been coming under pressure from some constituent unions to re-examine the cost-effectiveness of the strikes at selected key centres. These involve about 5,200 civil servants, all on strike pay of 85 per cent of their normal pay.

A motion from the largest union, the Civil and Public Services Association, calls for a full review of the strikes. But unions arguing for a re-examination include the Association of Government Supervisors and Radio Officers, which has suggested that the programme should be scaled down, and the Inland Revenue Staff Federation, which has proposed that strikes in all areas other than those hitting the collection of revenue might be phased out.

More militant union strategists resisted these attempts at a meeting of the campaign committee last Friday, but they may well re-emerge—particularly if the unions' bid to collect about £2m this week from a special one-off levy of members fails to reach its target.

Both the unions and the Government are keenly awaiting the outcome of this attempt to raise fresh funds to provide reserves for the campaign and the result of the decision to increase substantially the members' weekly levy in order to bridge the £250,000 weekly deficit.

While the unions are likely to be cautious until their financial position becomes clear, reports of imminent rises for the police of up to 13 per cent, when the offer to civil servants still stands at 7 per cent, may well again raise the temperature of the dispute.

Bank's 7% pay offer 'final'

BY NICK GARNETT, LABOUR STAFF

THE BANK of England is insisting that its staff accept a pay rise this year within the Government's 6 per cent cash limit.

Officials of the bank's staff association have warned management that this will widen the existing pay disparities between its staff and those working in High Street banks.

Negotiations this year have centred on the prospect of a 7 per cent offer, in line with that of the Civil Service. A settlement is due in July and affects about 4,000 staff directly.

The High Street banks have paid their staff 10 per cent from April this year and last year conceded a settlement several per cent higher than that reached by the Bank of England.

Mr Ian Partridge, general secretary of the Bank of England Staff Organisation, said yesterday that the absence of profit-sharing and bonus schemes as well as company cars for senior managers, emphasised the pay and perks disparity.

CBI puts 7-point trade union reform plan to Prior

BY CHRISTIAN TYLER, LABOUR EDITOR

THE Confederation of British Industry has decided to ask the Government to press ahead with further trade union legislation, although its members disagree on how quickly changes should be introduced.

In evidence to Mr James Prior, Employment Secretary, published yesterday, the CBI suggests far-reaching amendments to the Employment Act 1980, which it believes reflect public opinion and which will be eventually accepted by unions, provided employers simultaneously improve their own industrial relations practices.

Dismissing many of the objections to radical reform aired in Mr Prior's Green Paper on trade union legal immunities, the CBI proposes seven main changes:

PROCEDURE AGREEMENTS: strikers should lose their immunity from claims for damages if they walk out before agreed procedures are exhausted.

This change is different from the legal enforcibility of agreements prescribed by the Industrial Relations Act 1971 which was almost universally ignored by employers, who stipulated that their agreements with unions would not be legally binding.

In this version, neither party would be able to "write out" the legal constraint but it would still presumably be open to them not to prosecute. In theory, unions could sue employers for breach of agreement as well as the other way round. In practice, the proposed redress would probably only be exercised by employers.

The CBI acknowledges the danger that procedure agreements would be even more difficult to obtain, once the law was standing behind them. It also says that there is much work to be done before procedure agreements are sophisticated enough to bear legal scrutiny.

LEGAL LIABILITY: Employers should be able to claim damages from unions if their members act unlawfully rather than from individual workers only. The CBI says unions are no longer the weak organisations on whom immunity was conferred at the turn of the century.

"SECONDARY" ACTION: The new liability of unions introduced by the Employment Act should be strengthened further by making the legality of secondary action conditional on a secret ballot of the workers involved and a period of notice to the "secondary" target.

"SECONDARY" PICKETING: To prevent unions rotating pickets after injunctions have been served on named individuals, it should be possible for employers to get redress against the act of picketing. The Employment Act has already made "secondary" picketing unlawful.

POLITICAL STRIKES: The definition of a trade dispute should be "clarified" [ie narrowed] to give the courts more scope in declaring strikes political rather than industrial and therefore open to civil suits for damages.

SECRET BALLOTS: Government money should be made available to unions for secret ballots about wage offers as well as for internal elections and for industrial action decisions as provided by the Employment Act. No TUC union has yet accepted Government aid for ballots.

CLOSED SHOP: Union-only labour clauses in tenders or contracts should be illegal; all industrial action designed to force workers of another employer into a union should be unlawful; workers should get more compensation if unfairly dismissed for not belonging to a union. Agreements should be periodically reviewed and the pre-entry closed shop should be banned.

The CBI suggests early action—presumably in the next Parliamentary session—on five points: compensation for "closed shop" victims; union-only labour clauses; "forced recruitment"; extending ballot aid; and the redefinition of a trade dispute.

Second ambulance stoppage likely

BY PAULINE CLARK, LABOUR STAFF

LEADERS of Britain's 17,000 ambulancemen are expected today to announce a decision to go ahead with a second one-day national strike—with or without emergency services.

They took a long time to reach this point. It was six months ago that the group rejected a 6 per cent pay offer tied to the cash limits ceiling set by the Government on health service wage rises this year.

In the face of 15 weeks of industrial action by civil servants, which has so far failed to move the Government from its stance on public service pay, it is not surprising that the ambulancemen's unions chose to prolong as long as possible the process leading to national action.

The central problem for the unions is whether they can persuade the country—by argument and industrial action—that ambulancemen deserve a pay increase in excess of the cash limits ceiling.

National Average earnings for qualified ambulancemen (by far the biggest group in the service) are currently put at £132.28 a week which compares with the last official national average earnings level for all workers just over £110 a week and an estimated current average of £125 a week.

Ambulancemen are also asking to be compared with police and firemen because they want to achieve recognised status as the third arm of the country's emergency service.

After last November's two-stage 18.8 per cent deal, qualified firemen now recieve a basic £126 a week and average earnings of £135 a week. The middle range police constable who received a 21.3 per cent rise last year now gets about £120 a week on top of rent allowances and other special benefits.

In arguing their case for a 15 per cent rise this year, union negotiators are emphasising the following points:

Many ambulancemen do not earn anything like the national average figures used in the negotiations;

Unlike firemen who may count on receiving around £132 a week in one consolidated payment based on a 42-hour week, ambulancemen have to work much longer hours to achieve that level;

A 15 per cent rise (amounting to an extra £15.40 a week compared with the Government's £5.94 a week offer for qualified ambulancemen) is required to preserve the value of the 1979 pay comparability award made by the standing commission under Professor Hugh Clegg;

The offer leaves shift pay for ambulancemen significantly below that in other areas of the public sector. An ambulanceman receives an extra 16p an hour for working a rotary shift including nights compared with, for instance, 33p an hour received by water workers

Overriding all arguments on the other side of the negotiating table is the Government's view that, whatever the merits of the ambulancemen's case, it cannot afford to exceed the 6 per cent allowed in the cash limits to finance all health service wage rises this year.

PAY IN PRACTICE

How one major Regional Health Authority (West Midlands) pays its qualified ambulancemen.

	Basic £	Shift £	Over-time £	Week-end work £	Bonus £	per 40-hour week £	Average overtime hours worked
Group 1	76.60	7.04*	11.49	15.32	20.22	130.67	4
Group 2	76.60	4.15†	3.83	15.32	19.07	118.97	1½
Group 3	76.60	—	3.83	—	19.07	99.50	1½

Average earnings for all qualified ambulancemen £116.

* Rotary shift. † Alternating shift.

AVERAGE EARNINGS OF QUALIFIED AMBULANCEMEN

National average earnings structure for Britain's 12,491 qualified ambulancemen. The figures relate to current pay based on a 40-hour week from January 1 1980 and due for an increase from January 1 1981. London weighting is excluded.

Basic wage (£ per week)	76.60	
Night and weekend work within working week	11.51	
Weekend work outside working week	5.85	total overtime £23.45
Overtime at time-and-a-half*	13.03	
Sunday/rest day work at double-time	4.57	
Bonus payments†	7.90	
Shift pay‡	7.08	
On-call pay	.55	§
Substitution pay	.39	
Running repairs allowance	.16	
Other special allowances	4.64	
Average National Gross Earnings	132.28	¶

* About 75 per cent will work overtime in any one week. Average hours outside London 6½, in London 11.

† Schemes vary between health authorities but all relate to efficiency and reductions in restrictive practices negotiated locally.

‡ About 80 per cent will work shifts in any one week.

§ Few ambulancemen in any one week will be receiving one or more of these extra payments, for standing-in for a senior who may be sick or for changing a vehicle tyre, for example. Only 6 per cent will receive on-call payments in any one week.

¶ Average for all ambulancemen including trainees and leading ambulancemen at £129.95 a week.

Effect of 6 per cent increase on basic pay per 40 hour week.

	New basic £	Earnings with shift pay £
Leading ambulancemen (2,046)	89.40	151.83
Qualified ambulancemen (12,491)	82.54	113.66
Sitting case driver double manning (1,333)	72.42	100.14
Sitting case driver single manning (550)	69.09	85.49
Trainee (325)	67.61	73.55

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

June 23-26	International Word Processing Exhibition and Conference (01-405 6233)	Wembley Conference Centre
June 30-July 2	Electronics Show (Saffron Walden 22612)	University of Leeds
July 1-5	International Cycle Show (01-643 8040)	Harrogate
July 15-Aug. 1	The Royal Tournament (01-930 6009)	Earls Court
July 19-23	Autumn '81 Lightshow (Moelfre 88396)	Olympia
July 19-23	21st Harrogate Gift Fair (0382 867153)	Harrogate
Aug. 23-26	International Craft and Hobby Fair (04252 72711)	Wembley Conference Centre
Aug. 23-28	Solar World Forum—International Energy Society Congress and Exhibition (01-493 6601)	Brighton Centre
Sept. 3-5	Business and Light Aviation Show (01-643 8040)	Cranfield Airfield
Sept. 6-10	Watch, Jewellery and Silver Trades Fair (01-643 8040)	Earls Court
Sept. 8-10	Laboratory 81 Exhibition (0799 22612)	Grosvenor House, W1
Sept. 15-18	Offshore Europe 81 Exhibition and Conference (01-549 5831)	Aberdeen

OVERSEAS TRADE FAIRS AND EXHIBITIONS

June 22-26	World's Wine and Spirit Week—VINEXPO (01-439 3964)	Bordeaux
June 30-July 2	Fifth International Conference and Exhibition on Marine Transport Using Roll-on Roll-off Methods (09237 76363)	Hamburg
July 7-11	International Oil and Gas Exposition (01-637 8575)	Mexico City
July 8-12	International Audio-Visual Equipment Exhibition (021-705 6707)	Singapore
Aug. 24-28	International Public Works and Municipal Services Exhibition—CIVICON (01-486 1951)	Johannesburg
Aug. 25-Sept. 2	International Exhibition of Agriculture, Machinery and Produce (01-486 1951)	Mexico
Aug. 28-Sept. 6	International Fair of Consumer Goods (01-874 6034)	Stockholm
Aug. 29-Sept. 2	International Fair (01-734 0543)	Frankfurt
Sept. 5-8	International Exhibition of Sports Goods and Outdoor Activities (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

June 24	Henley Centre: Framework Forecasts for the EEC Economies Business Prospects to 1983 (01-353 9961)	Press Centre, EC4
June 29	Oyez IBC: Effective Romalpa Clauses—How to draft Retention of Title Clauses on the Sale of Goods so as to Defeat a Receiver or Liquidator (01-242 2481)	Cavendish Hotel, W1
June 30-July 1	School of Business Administration: Budgeting with special emphasis on the problems of maintenance expenditure (0233 22101)	Penta Hotel, SW7
July 1	Business Perspectives: The Revitalisation of Britain's Industry and Economy (01-584 3132)	Hilton Hotel, W1
July 2-3	MSS Computer and Business Consultancy: Appreciation of systems analysis and design (Worthing 34755)	Worthing
July 6-10	IPM: The Work of the Personnel Department (01-387 2844)	Embassy Hotel, W2
July 7	Hille International: Office Facility Planning Seminar (01-580 2080)	London Business School
July 8	Parliamentary Information Technology Committee: Education, Training and Information Technology Seminar (01-236 3011)	London, SW1
July 9	New Opportunity Press: The Secrets of the Milk-round (01-444 7281)	Queens Hotel, Leeds
July 12-17	Cranfield School of Management: Marketing of Financial Services (0234 751122)	Bedford
July 12-17	Institute of Bankers/Administrative Staff College, Henley: Business Strategies for the 1980s (01-623 3531)	Henley
July 13-14	The British Computer Society: British National Conference on Databases (01-637 0471)	Jesus College, Cambridge
July 14	Oyez-IBC: Management of Inshore/Offshore Diving Operations (01-242 2481)	Sudbury Conference Theatre, EC1
July 14	LCCI: Focus on Italy (01-248 4444)	Cannon Street, EC4
July 15	Liaison Committee for the Cleaning Industry: The Bubbles and the Politics (01-407 2304)	Wembley Conference Centre
July 15	Offshore Suppliers Information Centre: British National Oil Corporation Vendors Forum (01-439 9021)	Glasgow
July 16	Institute of Credit Management: Minis, Micros and Credit Management (0990 23711)	Cumberland Hotel, W1
July 16-17	Brunel Institute: Developing Women (0895 56461)	Uxbridge
July 17-Aug. 2	Investment Seminars International: Offshore investment seminar on international portfolio strategies and techniques (01-839 2922)	Grosvenor House Hotel, London
July 23-24	University of Bradford: The causes and symptoms of company failure (Bradford 42299)	Heaton Mount, Bradford
Aug. 6-7	AMR International: Executive Project Management (01-262 2732)	Gleneagles Hotel, Perthshire
Aug. 19	Institute of Credit Management: Credit Clerks Training Day (0990 23711)	Kensington Palace Hotel, W8
Aug. 25	Management Training Consultants: Modular Approach to Supervisory Training (0533 27062)	Aberdeen
Sept. 3	Citizens' Rights Office: Income Maintenance and the Personnel Officer's Job (01-405 5942)	Cora Hotel, WC1
Sept. 10-12	Institute of Local Government Administrators: Employment—the Local Government Response (0206 45212)	Birmingham
Sept. 13-26	Seatrade Academy: Anatomy of Shipping (0223 353451)	Cambridge

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

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هكذا من الأصل

The focal point of India's engineering industry is now as close as Centre Point

The national point of reference for the Indian engineering industry, the Association of Indian Engineering Industry, has been playing a pivotal role in promoting Indo-British industrial collaboration.

AIEI was "on the spot" in London from March 1979 to June 1980 and laid the foundation for increased company-level interaction. Today, AIEI is back on the scene and is once again available, at Centre Point, to British industry. You can now plug into Indian technology and India's engineering industry at London itself.

The Indian engineering industry believes that there are many new and potential areas for technology transfer and joint ventures between the two countries. AIEI's presence in London will assist Indian and British companies to come together to exploit these opportunities. As before, AIEI will be working very closely in these matters with the British and South Asian Trade Association (BASATA).

Third-country project collaboration

The maximum potential for long-term Indo-British industrial collaboration lies in cooperation in projects for third countries. Whilst a number of British companies have begun using the broad engineering base and considerable skills of Indian industry in major international projects, a lot remains to be done. AIEI believes that its presence in London would be most helpful in this area.

Prime contractors from Japan, Germany, the USA and other countries are already working with Indian companies, and this is the opportune time for British industry to fully utilise India's advantages in promoting third-country projects.

The Indian engineering industry today

Today, India ranks amongst the leading industrialised nations of the world. Thirty years of planned development have given us an engineering base with all-round capability in consultancy, engineering services and the production of a wide range of capital and consumer goods.

India also has first hand experience in solving the industrial problems of developing countries, because it is solving them for itself every day. The special blend of appropriate imported know-how adapted to the country's economic needs is a major plus point which makes India an ideal sub-contractor for projects in other developing countries.

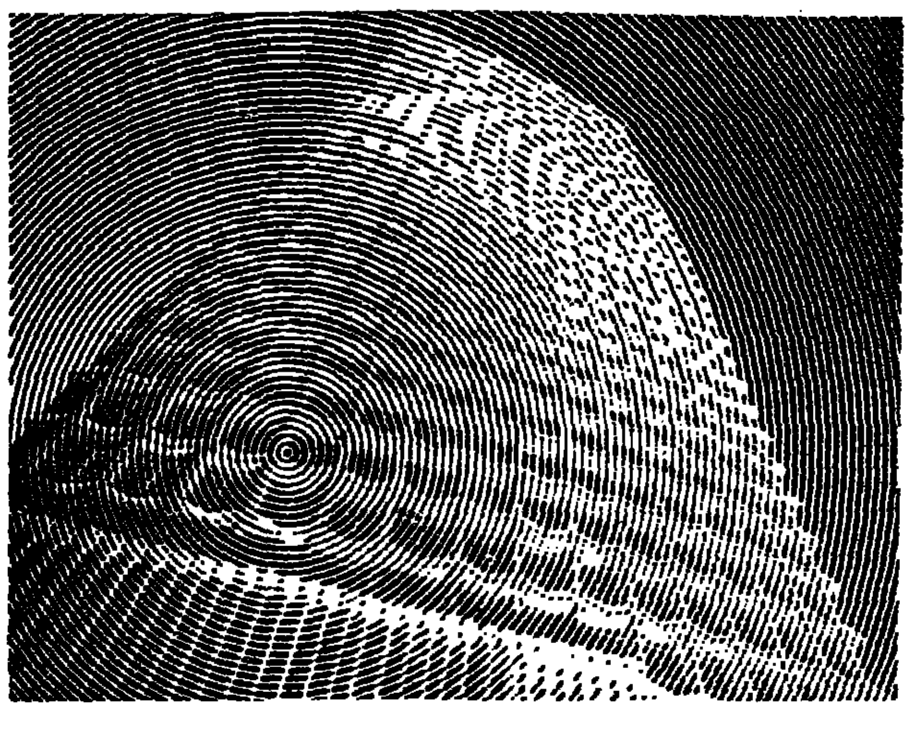
The services AIEI(UK) offers

Contact AIEI in London for:

Information on specific proposals to Indian engineering companies in the public and private sectors.

Identification of potential partners for industrial collaboration and joint ventures.

4031



The Association of Indian Engineering Industry has opened its office in London to help increase bilateral trade, assist in technology transfer and promote Indo-British cooperation in third-country projects.

Exploring the possibilities of technical collaboration for projects in India and third countries.

Locating suppliers of components and spares for finished items to be manufactured in the UK.

Identification of appropriate partners for collaboration in third-country projects.

AIEI-BASATA

AIEI has close working relationships with both the Confederation of British Industry and the British and South Asian Trade Association. The present intention is to work jointly with them to get more and more Indian and British companies to come together and discuss specific proposals for bilateral trade, joint ventures, technical collaboration and third-country project cooperation.

Britain as a trading partner

Two-way trade between Britain and India totalled £ 668.5 million in 1978-79 compared with £ 931 million between the USA and India and £ 708 million between Japan and India. Britain supplied nearly 6% of India's imports and accounted for nearly 10% of India's exports.

India's visible trade with the UK:

	Imports	Exports
	(£ Sterling Million)	
1974-75	138	196
1975-76	164	243.5
1976-77	178.5	284.5
1977-78	271.5	305.5
1978-79	345	323.5

Indo-British industrial collaboration

Between 1957 and September 1980, out of a total of 6,044 industrial collaboration agreements, British firms were responsible for 1,414 or 23%. This has resulted in several 'firsts' for India—her first home-produced bicycle, automobile, civil and military aircraft, first army tank, first naval frigate, first major oil pipeline and her first heavy vehicle factory. Some of the British firms involved with Indian industry and development are household names—ICI, English Electric, Unilever, Dunlop, Leyland, Rolls Royce, with a host of smaller firms expert in their fields.

A modern industry association

AIEI is the single association representing the Indian engineering industry as a whole.

Its principal objective is to provide information, advisory and consultative services to industry and Government.

AIEI serves as the national point of reference for the engineering industry.

It has over 1,400 members including small, medium and large units from the public and private sectors.

It has 22 industrial divisions, 30 affiliated bodies and 6 affiliated institutions.

The Association's members represent a total capital investment of £ 5,173 million and employ over one million people.

AIEI operates through a federal structure of: Executive Council, Regions, Committees and Divisions.

The Association is represented on all major policy bodies concerned with the engineering industry.

India's engineering industry in figures

Principal indicators	1970-71	1978-79	% change
	(£ Sterling Million)		
Value of output	2313	8064*	(+248.6)
Productive capital	2217	6162*	(+177.9)
Value added by manufacture	604.5	1932*	(+219.6)
Exports			
Engineering goods	83.5	418.5	(+401.2)
Capital goods	33.5	159	(+374.6)
Consumer durables	31	146.5	(+372.5)
Steel based items	16	100	(+525.0)
Non-ferrous metals	3	13	(+333.3)
Consultancy services	65	8.5	(+1207.7)
Imports of engineering goods	462.5	1046	(+126.2)
Selected Production Figures			
Forged Hand Tools	4	17	(+325.0)
Sugar Machinery	10	22	(+120.0)
Chemical & Pharmaceutical Machinery	11.5	42	(+265.2)
Paper & Pulp Machinery	3.5	15	(+328.6)
Cement Machinery	6	24	(+300.0)
Machine Tools	22.5	81	(+260.0)

*estimated

For any information you need please contact:
The General Manager
Association of Indian Engineering Industry (UK)
C/o Confederation of British Industry Centre Point
103 New Oxford Street London WC1A 1DU
Telephone 01-379 7400 Telex 21332 CBI G

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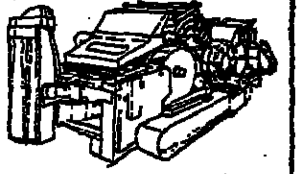

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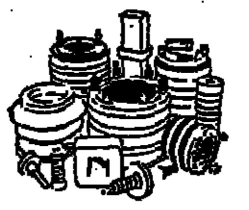

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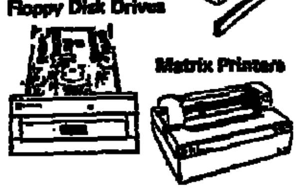

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Alfred Allan/1416A

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

PLANNING
IN AN UNCERTAIN WORLD

How cohesion was woven into an expansion strategy

Christopher Lorenz examines the diversification drive of Ciba-Geigy's *fastest-growing division*

THE INITIATIVE shown by a relatively junior manager, Bernard Liard, sparked off an acquisition that could prove of considerable strategic importance to one of the world's largest chemical combines, Ciba-Geigy.

A marketing manager for one of the company's product lines in France, Liard came up with a proposal three years ago that the company should buy into one of its customers, a family weaving business in Lyon, J. Brochier et Fils.

Brochier had already moved from its traditional silk-weaving activities into glass fibre and other ways of reinforcing fabrics, including the use of carbon fibres. So it seemed to Liard an ideal vehicle for Ciba-Geigy's further diversification into the sort of high-strength, low-weight "composite materials" which are in growing demand from the world's makers of aircraft, motor vehicles and other forms of transport. They are already used for such varied products as jumbo jet floors, aero engine blades, and automotive drive shafts, and before long may be the most widely used material in complete aircraft.

Little over a year after Liard's proposal was made to his boss in Paris, Brochier was linked into Ciba-Geigy's international composites operation.

With a turnover now approaching $100m, composites form the most rapidly-expanding business within the $1bn plastics and additives division, which over the past seven years has itself been the multinational's best divisional performer in terms of sales growth.

Though the proposal for a deal with Brochier was initiated unusually far down the line—Liard was five levels below the head of Ciba-Geigy's operations in France—it did not come out of the blue for central management, either in Paris or at Ciba-Geigy's headquarters in Basle, Switzerland.

Through an ambitious and broadly-based strategic planning process, Liard and his counterparts in other areas of the Ciba-Geigy organisation had been made aware of the main lines of worldwide strategy for their own sectors of the business.

The divisional strategy had designated composites as an area of particular promise. It proposed substantial investment in it as part of a policy of forward integration and geographic diversification away from the business's existing *twin bases, which were in* eastern England and the United States. Though the strategy did not identify weaving as a specific area for expansion, it did talk in terms of finding new ways of developing and exploiting synthetic fibre technology.

Liard was not in possession of the fully detailed strategy for his division, but he knew its basic trends and what to look for.

If a widely understood strategy had not existed, he might never have proposed a deal with Brochier. But even if he had done so, Paris and Basle would have had no context in which to examine the idea, and the odds are that it would have been turned down on the grounds that it was just one of a welter of ambitious but opportunistic suggestions for diversification into entirely new fields. At the very best, it would have taken many extra months of study and discussion for divisional management in Basle to become convinced that the step was worth taking.

The same applies to Ciba-Geigy's other main acquisitions in composites in the late 1970s—two companies on the American west coast, the home of the U.S. aerospace industry and therefore in the heart of the prime market for composite materials.

"Unless you have a systematic business strategy, *you will get dozens of investment* propositions which won't fit," says Dr Ralph Saemann, head of the plastics and additives division in Basle.

A truism, perhaps, but one to which most companies have paid far too little attention, as some still do. "In the 1960s business just came along anyway," recalls Philip Wilmot, Saemann's head of market research and technology forecasting. "We had nothing like a well-developed process of strategic thinking, except among a few people at the top."

In the early 1970s, Ralph Saemann was one of the first divisional chiefs to take Ciba-Geigy into its unusually questioning and consultative form of strategic planning. Neither top-down or bottom-up, it aims to create clarity and cohesion through consensus. As a result, Saemann's first divisional strategy took 18 months to develop and complete between 1972 and 1974. The second took a full two years of formal and informal sessions, at various levels and in various countries, before it was presented in January 1980 to the group's executive committee, the top executive body.

Independence

It is the length, breadth and depth of what Saemann calls the "elaboration phase" which most clearly distinguishes Ciba-Geigy's strategy-making from the run-of-the-mill "strategic plan" found in many companies today. In Saemann's division this preparation provides what he considers "a fantastic opportunity to challenge and question our approaches—to have the people who run a business sit down and think about the future long enough to develop a consensus on where it ought to be going over the next 10 to 15 years. Once you have this, key decisions, operational as well as strategic ones, are very much easier."

In 1978-80, the formulation process involved about 100 of *the division's 10,000 employees* in direct discussions with headquarters staff, and several times that number indirectly through the separate sub-divisional discussions in different countries.

Elsewhere in Ciba-Geigy, which allows its divisions *considerable independence, the* approach has been different: in pharmaceuticals for example, only 20-30 people were involved in the year-long formulation process, although it has 20,000 employees.

On the other hand, pharmaceuticals *has adopted a more* ambitious approach to the internal dissemination of strategy. Instead of just leaving it to *individual* managers whether or not to pass information on to their subordinates, a department called "Pharma Policy," reinforces individual communication; this process has involved over 1,000 people so far.

The second essential difference between Ciba-Geigy's approach and that of the average strategy-minded company is implicit in the way the group baulks at the use of the term "strategic planning," preferring instead the peculiarly Swiss word "Leitbild" (literally "guiding picture").

Its management appears to feel that the word "planning" carries a connotation of operational exactitude, which is not at all what it feels the formulation of strategy is all about. The problem of terminology seems particularly acute with the word "planung" in the German language, but it is shared by many companies in the U.S., where "planning" still implies a 1960s-style number-crunching function which, if not totally dispensed with, is now clearly subordinate to the much more fashionable one of "business strategy" or "business policy."

The distinction drawn by Ciba-Geigy is elegantly formulated by Philip Wilmot: "The Leitbild shouldn't be interpreted like the Old Testament, letter by letter, but like the New — in spirit." Ralph Saemann expands: "It isn't an operational straitjacket, but a strategic framework. In very general terms, it really answers the question 'What businesses should we be in, and what competitive position should we aim at in each of them, and with what strategies should we reach it?'"

"Our first Leitbild had hardly a figure in it, and the second *only a few,*" he continues. "These do, however, include ten-year forecasts of macro-economic growth rates, as well as profitability and growth targets for each of the division's business segments."

This approach is significantly different from Shell's presentation of "multiple scenarios" of possible alternative futures, for reasons explained below.

The completed Leitbild "is a guiding and a binding policy," says Saemann, a form of contract between divisional top management and its worldwide constituents on the one hand, and on the other between the division and the group executive committee. Within its framework must be pitched each segment's three-year plan, which constitutes the next planning layer.

The Leitbild even affects operational management, according to Wilmot and Pierre-Yve Gentil, director of the plastics and additives division in France, a grouping of just over 300 people. Gentil cites, for example, the impact of the Leitbild on the structure of the marketing network for a particular product, or on the level of an individual budget.

Bottleneck

Wilmot quotes an even more down-to-earth instance: the case of a factory manager facing a production bottleneck. If he knows that one customer is more important than another to the company's strategy, regardless of the size of his order, then the amount he allocates each of them will be affected. "In cases like that, the dividing line between operations and strategy is decidedly vague," Wilmot comments.

The Leitbild of most divisions is reviewed roughly every five years, and revised as necessary, as is the overall corporate Leitbild. But their contents vary from division to division, as does the extent of looseness or precision. Whether they are seen by managers as Old or New Testament documents depends very much on the perception of the individual.

Weaving the threads of diversification

In Paris, for example, Pierre-Yve Gentil says he has made various proposals for diversification, to which Basle has replied "No—it's not in the Leitbild." If Gentil claims not to resent this constraint, it is probably because he was closely involved in the formulation of his division's Leitbild; instead, he says he agrees that "we mustn't cast the net too widely."

Time and time again, Ciba-Geigy executives point out that managers who have helped formulate a policy are likely to identify with it, and will not see it as a straitjacket. "They know the framework is reasonable and elaborated by consensus," says Ralph Saemann. The Leitbild is not a mere planning tool," he emphasises, but "an instrument for motivating a decentralised entity along a broad, common path." It is absolutely necessary to have something like it if one is to manage a worldwide organisation."

Shell's route bypassed

UNLIKE MOST of the companies within Shell, Ciba-Geigy does not believe in presenting its managers with multiple "scenarios" of possible future trends and events as a basis for their decisions.

The idea of the Swiss company's Leitbild approach is to produce "not 17 scenarios, but one set of inevitable developments," says Ralph Saemann, head of the plastics and additives division.

His sceptical tone towards Shell's widely-admired planning practices does not reflect an outdated blindness to the dangers of single-line forecastings; far from it. Saemann is just as concerned as Shell's top executives and planners to break the traditional managerial obsession with plans which posit specific trends and solutions which may by definition be unrealistic, even dangerous. (Shell's multiple scenario approach was discussed on this page in this series last year on March 4 and 5.)

Saemann's caution results from the belief that though some multiple scenarios can be used in preparing the Leitbild, an organisation with as complex and broad a range of products as his division cannot realistically hope to produce or use different ones for each part of the business; even if it could spare the time and expense to do so, he argues that the exercise might not be useful in a worldwide operation with a lot of delegated responsibility.

Whereas Shell has a very limited range of products, all of them based on a handful of raw materials and technologies, most parts of the Ciba-Geigy group are in a more fluid state, where—at least theoretically—they are continually having to question which technologies and business they should be in. Plastics and additives alone can claim 30 different business segments, or over 100 if regional variations are taken into account.

Ciba-Geigy also feels, says Philip Wilmot, that "we can't educate our people to run parallel policies together. One has to take certain hard steps. One has to do something next week." Shell would argue that its approach is the other way round, that single policies must be made as resilient as possible to alternative events.

That said, Ciba-Geigy tries to ensure that policies down the line are kept as open as possible, and to encourage the sort of thinking that prompts managers always to ask themselves whether the *decision they are about to take* will close off other options in the future.

The relative looseness of the Leitbild approach, as compared with most companies' strategic planning, also shows up in the highly qualitative nature of the documents themselves.

According to Wilmot, the latest Leitbild for the plastics and additives division, completed in early 1980, consists of 30 pages, plus a set of largely statistical appendices. The introduction is followed by a two-page description of the division's existing sales mix and recent technical developments within it. Then come two pages of environmental and market trends, consisting largely of a discussion about changing world economic and social patterns and the continuing move towards speciality products in the chemical industry. This section contains long-term forecasts, which in many cases are the median lines drawn from a range of multiple scenarios discussed during the months of preparation for the Leitbild itself.

Sharp focus

The next section, of six pages, discusses overall "business policy," including such aspects as customer, market and competitive trends, and the shift in the *division's focus from products* to complete systems, together with the main principles of its diversification policy.

The final 20 pages outline the consequences of all the foregoing for policy in each of the 30 businesses.

The 1980 Leitbild differs from its 1974 predecessor in containing more statistical material; this is not only because it focuses more sharply on the competitive position of each activity, but also because it was felt useful to demonstrate that it took full account of the sharply reduced rates of economic growth around the world.

The new document also looks in more depth at which of the businesses are nearing a stage of maturity, and which of them should therefore be dropped.

In many other respects, it is understood to confirm the conclusions of the 1974 version, even though this had been largely prepared before the oil crisis really struck.

One of the reasons for the resilience of the first document was that the Club of Rome's thinking about the "limits to growth" had permeated the preparations for it, so much so that the co-ordinating staff group under Philip Wilmot was officially christened the "limits to growth group." Under its initials it still survives today, as a reminder of the Leitbild's role in challenging past assumptions.

This is the concluding article in a series which will shortly be reprinted in booklet form by the FT Publicity Department.

UDS Group

In last Monday's article (June 15) Mr Stuart Lyons was incorrectly described as chairman of UDS Group. This position is held by his father, Mr Bernard Lyons. *Mr Stuart Lyons is managing* director of the group, a position he has held since 1979.

BUSINESS COURSES

Successful Negotiating, London, July 6-7. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

The 1981 China Briefing, Geneva, July 2-3. Details from Management Centre Europe, avenue des Arts 4, 1040 Brussels, Belgium.

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times.

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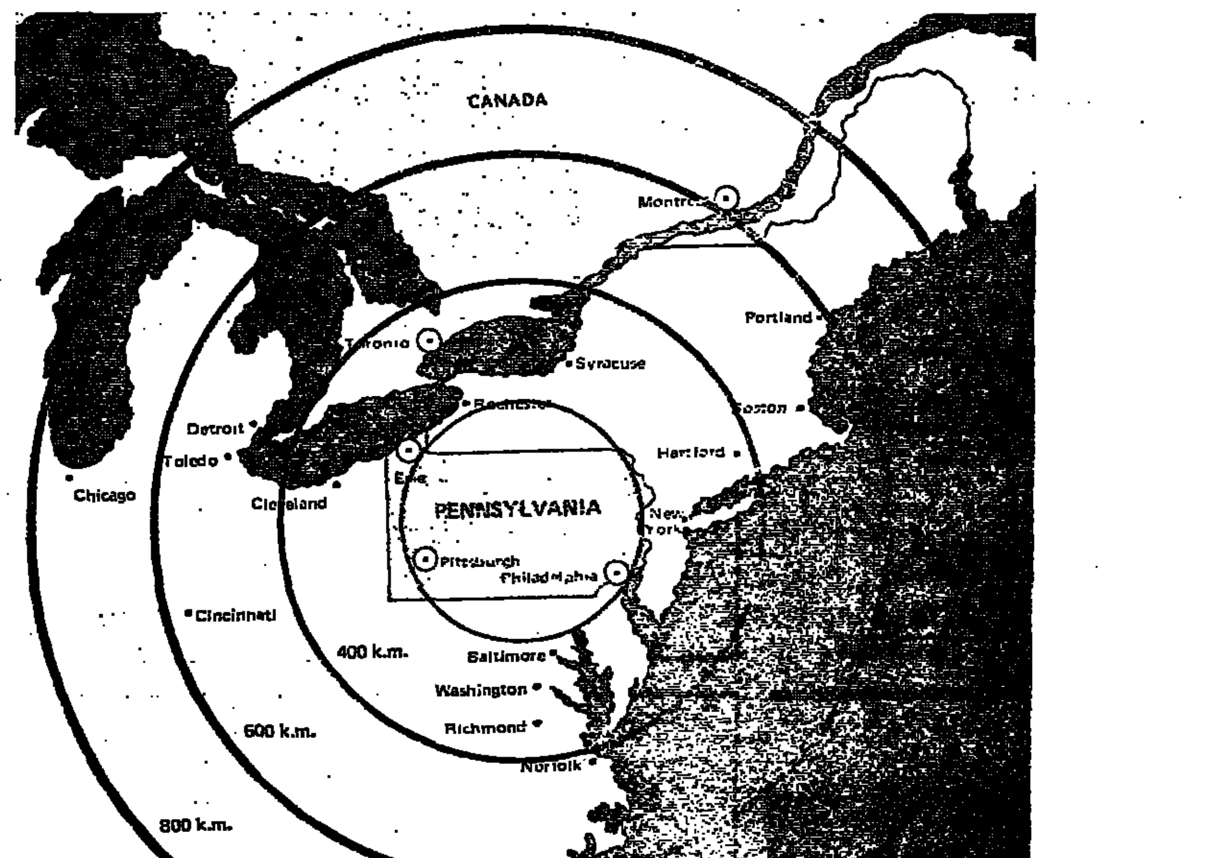

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Paris: 48, Rue de Tocqueville, 75017 Paris, France (Tlx: 641929)

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Nassau, Bahamas. 19th June, 1981.

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As from 1st July 1981 Charterhouse Japhet Limited will cease to be the London banking and paying agents for the funds managed by Adig Investment.

All inquiries after this date should be made to:

Allgemeine Deutsche Investment-Gesellschaft mbH
Von-der-Tann-Strasse 11
8000 Munich 22, W. Germany
Tel: 010-4989 23961
Telex: 524269

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TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Alan Cane reports a new steel foundry technique offering substantial advantages

A throw-away approach to hot steel

STEEL CASTING shops throughout the world are excited about the prospect of substantial savings in time and energy made possible by a new foundry technique pioneered in the UK.

Initiated by the Steel Castings Research and Trade Association (SCRATA), the technology has been developed and improved by foundry specialists Foseco which has brought it to market as "Kaltek."

Put simply and unglamorously, Kaltek is a new way of lining the massive metal ladles used to move molten steel from the furnace to the casting moulds.

That description gives no real idea of the savings in time, energy and human discomfort that the new technique affords.

Traditional steel ladles are lined on the inside with a refractory material to protect the inner surface and to maintain the temperature of the liquid metal.

These ladles have to be heated before the molten steel is poured in to remove moisture, to minimise the risk of explosion and to reduce the chilling effect on the hot steel.

The methods used to heat the ladles range from the sophisticated — custom designed electric mantles — to the primitive — a Dutch foundry heaps coal into its ladles and sets it alight. All are prodigiously wasteful of energy.

A recent Department of Industry report, Energy Use in the Steelfoundry Industry,* points out: "Much heat is lost in heating ladles: considerable savings could be made by better housekeeping measures, and by developing linings which do not have to be preheated."

It also notes, pointedly: "Few foundries monitored their fuel consumption, assuming it to be small. This was often not the case. . . . Ladle heating costs of up to £34 for a three-tonne ladle were found."

On top of the energy burden, the ladle must be cooled with compressed air after use, the remaining steel scraped off the lining and the lining patched up where damaged in the pouring process. It all takes time. According to Foseco, ladle preparation — the scraping and patching — takes 1.5 hours, preheating takes three hours and cooling takes two hours or more.

It means that for most foundries, each ladle can only be used once in each shift, representing a considerable investment in ladles to maintain production capacity. A big ladle can cost £2,000.

Steel foundry research has been focused on better ways of preheating the ladle, and better, stronger linings.

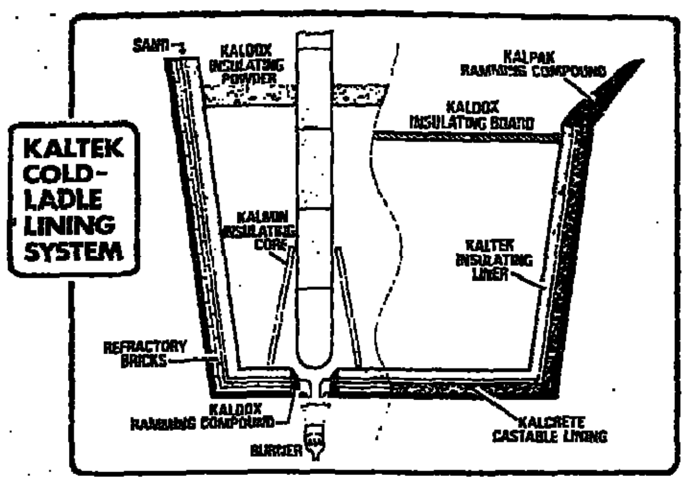
SCRATA came up with the idea that rather than looking for an expensive, long-life lining, why not a cheap, throw-away lining that could be used once and discarded.

The result was "Kaltek." The material is a refractory mixture, already well proven in the steel pouring business and Foseco supplies it as boards.

The ladle is lined with a thin permanent refractory lining and the boards inserted on top and cemented in place.

The advantages are:

- *No preheating because of the insulation afforded by the lining.*
- *Reduction in turn-round time from 6.5 hours to 45 minutes.*
- *The quality of the steel is improved because contamination from linings and lining repair materials are eliminated.*
- *The lining is removed simply by inverting the ladle.*
- *Working conditions for foundry workers are dramatically improved.*



Conventional pouring techniques are hard on ladles and linings, right; the Kaltek system, above, offers savings in energy and time.

Foseco—a £300m-plus company which is a household name in the foundry world—believes it is the only company in the world offering such a technology.

Its claims are backed up by SCRATA, which has an interest as inventor of the technique, but also a reputation to protect as an independent service agency to the foundry and castings industry.

The proof of this particular pudding must lie in the castings shops, however, and there early acceptance seems encouraging.

Among foundries using the system in the UK are Cattons of Leeds which is setting up an extensive trial, and Lake and Elliot of Braintree in Essex hopes to use nothing but the Kaltek system within a year.

Mr Jim Carn, general manager of Lake and Elliot says his bill for preheating ladles was £12,000 a year before the Kaltek system was introduced. All that outlay is now saved. Mr Carn says: "Technically, the system works. We have investigated it thoroughly in conjunction with Foseco and now we use it in production."

The cost of the material works out at £5 a steel tonne, according to Foseco, which makes the system a commercial proposition in the UK compared with the cost of conventional linings.

The search for the perfect system of ladling molten steel may not be over, but SCRATA and Foseco seem to have taken a bold initiative which the industry likes. SCRATA is on 0742 28647; Foseco on 01-222 7030.

* Available free from the Department of Industry, 123 Victoria Street, London SW1E 6RB.

Atlas Copco
Compressed Air Technology

Dumpswitch from Hartley

HARTLEY Measurements of Basingstoke (Hartley Witney 3535) now has available a new version of its range of high voltage safety dumpswitches. Designated Series DS, the design features mechanical indication of correct switch operation as well as the electrical indication included on earlier models.

Hartley offers three models covering voltages of 30, 40, 50 kilovolts. The switches are energised from either 110/115 volts or 220/240 volts AC.

Measuring

THE Elcomoter 195 Saberg thickness drill is a new instrument launched by Elcomoter Instruments of Manchester (061-370 7611) The company says that although developed primarily for measuring the thickness of epoxy floor coatings, it will also measure any material that can be cut by a drill on any substrate.

POINTERS

Energy monitoring unit

A SOPHISTICATED space heating and cooling control system called the Myson Fuel Censor which is being produced in the U.S. seems likely to attract increasing attention in this country.

The system is based on a small computer which may either be installed close to the heating or cooling plant or, if more convenient, anywhere in the building.

Linked to the computer is one exterior and up to five interior electronic sensors each of which controls either a single zone or, in a large open area functions as a multi-sensor.

Each of these sensors is programable for five different temperatures each day.

Information from the sensors is relayed by telephone cable to the computer and control of the whole system is by means of a keyboard display unit which may be located in the office of the works director or manager, or even the managing director if he is keen enough on energy management.

The user is able to feed in his programs for both weekdays and weekends and is able also to monitor at any time the temperature throughout his building.

The computer is able to anticipate when the building is going to be sufficiently heated, even before the sensors around the building indicate that level and the computer is able to signal to a relay to switch off the boiler or circulating pump.

Additional control and monitoring is possible by means of a telephone and a simple modem unit. Distance between the operator and the control system is of no consequence it is claimed and the user who might be luxuriating in the heat of Barbados during February, could re-program his own "Fuel Censor" back in the UK.

Myson Marketing Services of Ongar, Essex (0277 362222) is handling sales of the equipment in the UK.

SEAWARD Eversafe of Wargrave, Berkshire (01-242 7702) has introduced this trip tester which, the company claims, can monitor, accurately, tripping times of 0-100 milliseconds over a range of fault currents from 5 to 300mA. Price is £86.

Racal deal

RACAL RECORDERS reports that it has just been awarded the biggest contract in its 12 years of trading.

The contract is to supply £700,000 of four channel instrumentation recorders and ancillary equipment to the Ministry of Defence. It includes the company's 4DS high performance dual standard recorders and analysis control systems.

Eye tester

COHERENT of Cambridge, makers of the Dioptron Ultima, the diagnostic eye computer, is introducing a portable model to be known as the Dioptron Nova which can be located on a refracting table or an ophthalmic stand.

The company claims that the model has many exclusive features including an auto fog system to eliminate instrument myopia, a digital read out for sphere, cylinder and axis, a direct view of the patient's eye during alignment and instantaneous transposition between plus ad minus cyclinder. More on 0223 68501.

Oil spill

NEW models of the Kebab 600 portable oil skimmer have been launched by Vikoma International. Designed for oil spill or effluent recovery in hazardous areas such as refineries or terminals at petrochemical plants, the new models can be equipped with either hydraulic or air driven power to replace the standard electric motor.

The floating skimmer system weighs 12 kg and uses the oleophilic disc principle. It is able to collect oily layers at rates up to 1,000 litres an hour.

A microprocessor - based system for hazard monitoring in high risk installation has been launched by Ferranti. The company says that the system is ideal for offshore production platforms, petrochemical plants, airport hangars and warehouses.

The multi-channel control equipment offers colour semi-graphic display, area mimics, status tables, gas level histograms and operator prompt tables. More from Ferranti on 061-428 0771.

26 years as an FT man

MR ARTHUR BENNETT, joint editor of the Technology Page and editor of the Building and Civil Engineering Page, retires today after 26 years service with the Financial Times.

A journalist for all his working life, Mr Bennett was responsible for the FT's coverage of industrial developments and services which resulted in the Technical Page in 1966.

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MACHINERY, EQUIPMENT AND VEHICLES

1. The Government of the People's Republic of Mozambique has been granted a loan of FUA 8,000,000.00 from the African Development Fund for the financing of the Inhassune/ Ramalhusca Agricultural Development Project, to be implemented for 4 years.
2. The Government of the People's Republic of Mozambique now invites tenderers to prequalify for the supply and delivery of the following goods:

LOT I
2 crawler tractors (Equi D-6)
2 rome harrows
1 chain harrows
2 5-ton lorries

LOT II
4 motor graders
2 front-end loaders
2 tipping trucks
1 concrete mixer

LOT III
1 mobile workshop
2 7-ton lorries
5 5-ton lorries
1 fuel tanker
1 water tanker
7 4WD vehicles
9 light motor cycles

LOT IV
Workshop equipment
2 50KVA diesel generators
1 pump, storage tank and piping for water supply
1 weighbridge
5 portable scales

LOT V
Furniture and equipment for offices

LOT VI
27 70 hp wheel tractors
3 105 hp wheel tractors
1 subsoiler
18 disc ploughs
25 disc harrows
15 cultivators (4 row)
15 seed/fertilizer
2 ridger drills
10 tractor trailers
Misc. tools and equipment
1 hay baler
2 hay rakes
2 mowing machines
1 fertilizer-seeder
10 ox carts

LOT VII
360 km ranch fencing wire
7 cattle spray races
5 cattle crushes
8 km quarantine fencing materials

LOT VIII
Misc. livestock and veterinary equipment and supplies
Horse equipment

3. Interested firms should reply to the:
BANCO POPULAR DE DESENVOLVIMENTO
Departamento de Operaçoes Especiais
P.O. Box 757
Maputo
People's Republic of Mozambique
within 40 days of the date of publication of this advertisement with all the details considered relevant and necessary.

THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF SAO TOMÉ AND PRINCIPE
INVITATION TO TENDER FOR A PROJECT TO REGENERATE COCOA PLANTANTIONS

Financed by the African Development Fund, the Ministry of Agriculture and Fisheries of the Democratic Republic of Sao Tome and Principe is about to embark on a project to regenerate the country's cocoa plantations, involving construction, equipment and supplies as follows:

1. Construction and fitting of a central workshop for carrying out repairs to transformation equipment and transfer vehicles and manufacturing tools and accessories. It will comprise Iron-working, Sheet-metalworking, Welding, Forging, Electrical and Training Sections.
2. Acquisition of two truck-born workshops for servicing remote farms, and a road trailer consisting of an automobile tractor and a tank carrying trailer;
3. Supply of vehicles, namely trucks, jeeps and cars;
4. Supply of agricultural machinery and tools,
5. Supply of plant Chemical and Fertilisers.

Following notification of initial interest in tendering, short-listed applicants will have access to a full technical dossier available at The Ministry of Agricudure and Fisheries in Sao Tome, Sao Tome and Principe Trade Centre in London, the Embassy of Sao Tome and Principe in Lisbon (Portugal), Luanda (Angola) and Libreville (Gabon).

Tenders to be made free of all taxes, in French or Portuguese language, and should be for any or all five categories. Spare parts amounting to ten per cent of the invoice value must be included, and the cost of freight to Sao Tome to be shown. This call for tenders is restricted to members of the African Development Bank and to countries participating in the African Development Fund.

Tenders, with a validity of three months, to be sent by 31st July 1981. They should be addressed to:

Director of Cocoa Plantation Regeneration Project
Ministry of Agriculture and Fisheries
Democratic Republic of Sao Tome & Principe
c/o SAO TOME & PRINCIPE TRADE CENTRE
1/2 Rutland Gardens
London SW7 1BX
Telephone: (England) 01-581 3833
Telex: 887140 STPCOM G

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ANAMBRA STATE WATER CORPORATION
GREATER ONITSHA WATER SUPPLY SCHEME
Invitation for Prequalification:
Extension of Closing date

The closing date for the submission of application of prequalifications for the above contract has been extended from 2nd JUNE, 1981 to 7th JULY, 1981.

Applications shall be addressed to:
The General Manager,
Anambra State Water Corporation,
Constitution Road,
P.M.B. 1296,
Enugu—Nigeria
(Phone 252654 Telex 51161)

YEMEN ARAB REPUBLIC
YEMEN GENERAL ELECTRICITY CORPORATION
Electrification of Old Town Areas in Sana'a, Hodeidah & Taiz
Contract Yem 061

The Yemen Arab Republic is to recieve a credit from the International Development Association (IDA) under the YAR Power II Regional Electrification Credit Agreement. It is intended that a portion of the proceeds of the credit, in amount approximately U.S.$1.8 million, will be applied to cover part of the cost of contract YEM 061. The balance of the contract cost is to be provided under financing arrangements proposed by the contractor or contractors.

Payment by IDA will be made at the request of the Yemen General Electricity Corporation (YGEC) and on approval by the IDA in accordance with the terms and conditions of the Credit Agreement.

The YGEC invite tenders for the supply, delivery, erection, testing and commissioning of plant and equipment for the electrification of the old town areas in the three principal cities Sana'a, Hodeidah and Taiz. The tender documents cover the three cities but tenderers may tender for work in one, two or all of them. The scope of work is approximately as follows:

15 and 11 kV underground cables	5 km
15 and 11/0.4 kV unit substations 500 KVA	11
15 and 11/0.4 kV unit substations 1,000 KVA	6
Low voltage underground cables	13 km
Low voltage aerial power cables	260 km
Domestic and commercial consumer connections	9,000
All fitting and fixures	

Firms from IDA member countries and Switzerland are eligible to tender.

Tenderers will be invited to submit firm financing proposals with their tenders to cover the difference between their total tender sum and the U.S.$1.8 million credit available from IDA.

Sets of tender documents will be available from 1st July 1981. Applications for tender documents must include a non-returnable fee of £50 or 500 Yemeni Rials for each set and should be addressed to either of the following:

KENNEDY & DONKIN
Consulting Engineers,
Premier House,
Woking,
Surrey, GU21 1DG,
United Kingdom.
Telex 859373 KDHO G

KENNEDY & DONKIN,
Consulting Engineers,
P.O. Box 947,
Sana'a,
Yemen Arab Republic.
Telex 2410 KENDON YE

The latest time and date for receipt of completed master and copy tenders in Sana'a and Woking will be noon (local time) on 30th September 1981. Tenders will be opened in public in Sana'a at the office of the Chairman of the YGEC on that day.

KENNEDY & DONKIN, CONSULTING ENGINEERS, WOKING, SURREY, UNITED KINGDOM

PEOPLE'S REPUBLIC OF MOZAMBIQUE
INHASSUNE/RAMALHUSCA AGRICULTURAL DEVELOPMENT PROJECT —INHAMBANE PROVINCE
FINANCED BY THE AFRICAN DEVELOPMENT FUND TECHNICAL MANAGEMENT CONTRACT

1. The Government of the People's Republic of Mozambique invites interested parties to apply for detailed terms of reference for the supply of the following personnel for the above project:

Project Technical Manager —Agriculturist
Farm Manager
Ranch Manager
Office/Accounts Manager
Workshop Manager

2. The project is to establish and develop a 6,000 ha farm for growing cotton and sunflower, and 41,000 ha ranch for the production of beef.
It is to include training of local personnel both for the enterprise and also for other state farms and co-operatives, etc.
3. Interested firms should reply to the:
BANCO POPULAR DE DESENVOLVIMENTO
Departamento de Operaçoes Especiais
P.O. Box 757
Maputo
People's Republic of Mozambique
for the detailed terms of reference.
4. Tenders will be opened approximately 3 months from date of the advertisement. The exact date being rectified in the terms of reference.

NOTICE TO ENGINEERING/CONSTRUCTION CONTRACTORS
YEMEN GENERAL ELECTRICITY CORPORATION SANA'A, YEMEN ARAB REPUBLIC

Invitation for Prequalification for Field Engineering/Construction and Erection of Regional Electrification Project, Credit 1102-YAR

The Corporation is presently prequalifying Engineering/Construction Contracts for field engineering/construction and erection of the Rural Component of the Regional Electrification Project. The Project will be partly financed from an IDA Credit of US$12.0 million. The Project consists of approximately 55 km of 33-kV line, two 33/11-kV substations, 300 km of 11-kV line, 300 km of LV circuits, 13 MVA of distribution transformers, two 100 kV diesel-electric generators and 9,000 services. Materials for the Project will be furnished by YGEC from a separate tender.

Prequalification proposals are invited from qualified contractors from IBRD member countries, Switzerland and Taiwan. The proposals will be received by the Yemen General Electricity Corporation (YGEC) at the office of the chairman, PO Box 178, Sana'a, Yemen Arab Republic until July 15, 1981 for qualifying as a prospective bidder on the construction and erection of the Regional Electrification Project.

Prequalification documents will be available by June 1, 1981 and can be obtained from YGEC at the above address or their consultants, NBECA International, Ltd, PO Box 1892, Sana'a, Yemen Arab Republic or at 1800 Massachusetts Avenue, NW, Washington, DC 20036, USA.

YEMEN GENERAL ELECTRICITY CORPORATION
Mohamed H. Sabra
Chairman

PREQUALIFICATION OF CONTRACTORS

1. The Port of Bar Working Organization (PBWO) has received a loan from the International Bank for Reconstruction and Development (IBRD) in various currencies equivalent to US$ 30 million towards the cost of an Earthquake Rehabilitation Project in the Port of Bar, and intends to apply part of the proceeds of this loan to eligible payments under contracts to be awarded on an internationally competitive basis for carrying out civil engineering and associated works in the port.
2. Works will include the rehabilitation of:
(a) the south side of Pier I,
(b) Pier II,
(c) Pier V and passenger basin,
(d) Connecting berth between Pier II and future Pier III,
(e) eight storage sheds,
(f) administrative and fire service buildings.
New work is to be undertaken comprising:
(g) construction of three new storage sheds,
(h) dredging of parts of the port area,
(i) additional workshop accommodation.
3. It is intended that the foregoing works will be carried out under two separate contracts, one to cover works stated under (a), (b), (c), (d) and (h) and the other one works under (e), (f), (g) and (i). Bids for only part of works included in each or either of the groups of civil works will be rejected. Bidders offering to complete all works from both groups will have preference, under equal conditions. Bidding documents for the works are expected to be available by the end of July 1981.
4. International and national contractors who are interested in bidding for the above works are invited to apply for prequalification by submitting their applications to the Port of Bar Working Organization, 81350 Bar, Yugoslavia, by not later than June 30, 1981. The applications must be supported by details of financial standing, experience of similar works undertaken during the past five years and costs of such works, names of organizations for which such works were undertaken, annual value of civil engineering works undertaken during the past five years, details of management and technical staff who would be employed on the proposed works, and of the size and age of major items of equipment and plant which would be utilised for these works, and other relevant data.
5. Interested contractors should send a representative to visit the port prior to July 10, 1981, to view the layout of the port and condition of the structures to be rehabilitated, so that they are fully aware of the extent of work to be undertaken. Speed of construction will be of prime importance in completing the proposed works
6. Contractors who wish to apply for prequalification in joint venture with other major contractors, or intend to use subcontractors for part of the works, must attach a draft copy of the joint venture or subcontracts with their applications, and similar details on such firms as described in paragraph 4 above.
7. Any previous prequalification of contractors for any of the above works is hereby declared invalid and new applications for prequalification will be required.
8. Bidders from member-countries of the World Bank, Switzerland and Taiwan have a right to participate in this bidding.

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Classified Advertisement Manager
Financial Times, 10 Cannon Street, EC4P 4BY

APPOINTMENTS

CBI tax adviser

Mr Alan Willingale, group taxation manager of British Petroleum has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY'S taxation committee. He succeeds Mr Alan Lord, managing director of Dunlop Holdings, who has been chairman of the committee since March 1979.

The Committee advises on the industrial aspects of fiscal policy and shares in the formulation of the CBI's Budget recommendations which are presented each year to the Chancellor of the Exchequer.

Mr Willingale has been a member of the taxation committee for some years and has held his present appointment at BP since the end of 1973. Before that he was for 21 years an inspector of taxes.

★

Mr Robin Gowland has become chairman of EGON ZEHNDER INTERNATIONAL in the UK. He has been succeeded as managing partner of the London office by Mr Mark Weedon. Mr Ralph Skilbeck joins the London office.

★

Mr Rex Browning has been promoted to the rank of deputy secretary in the OVERSEAS DEVELOPMENT ADMINISTRATION from June 22 in succession to Mr D. L. Pearson, who is retiring.

★

Mr Stephen Soubami has been appointed to the board of KRAUSHAR AND EASSIE.

★

Mr A. J. N. Tilley has been appointed group finance director of PENTOS HOME AND OFFICE PRODUCTS GROUP (formerly Caplan Profile Group). Before joining Pentos he was with the English Card Clothing Company.

★

Mr B. S. Gregory has been appointed as regional manager for the north west region of JOHN LAING CONSTRUCTION based in Manchester. He succeeds Mr Oliver Whitehead, former regional director who was appointed managing director for Laing UK civil engineering in March this year.

★

Mr James M. Stewart has been elected a senior vice president of IRVING TRUST and appointed manager of the bank's western Europe division. He succeeds Mr David M. Mace, executive vice president, who was recently appointed group executive of the international banking group. Mr Stewart joined Irving Trust in 1963 and most recently has been manager of the London branch, a position he has held since 1977. Mr John R. Windeler, senior vice president of Irving Trust, has been appointed manager of the newly formed London division, which combines the London branch and the syndications department. He joined Irving Trust in 1969, and after holding a number of executive positions was appointed manager of the syndications department when it was formed earlier this year.

★

Mr D. J. Hall has been appointed managing director of STIMPSON PERTWEE succeeding Mr Robin Patten, who is now deputy chief executive of the Pertwee group at Colchester.

★

Mr S. E. Creighton, director of administration and organisation for THORN LIGHTING, is to retire at the end of this month.

★

Mr J. H. Cosson has been appointed an assistant general manager at MAIBL (Midland and International Banks).

★

Mr J. B. White has been appointed managing director of WIMPEY ASPHALT. He has been succeeded by Mr A. H. Snodgrass as general manager of the company's southern division.

★

Mr Martin J. T. Wickens has been appointed marketing director (designate) of BELL'S SCOTCH WHISKY. He joins the company from Carreras Rothmans.

★

Mr Alan Bayley has been appointed managing director of CHARLES BARKER CBC from July 1. He is at present assistant managing director.

★

Mr James Scott-Webb has been appointed a senior assistant director of MORGAN GRENFELL AND CO. He will be returning from New York to take up his position in the Eurobonds division on June 29.

INSURANCE

Underwriting cycle continues to fall

BY JOHN MOORE

THE UNDERWRITING cycle is continuing its downward course. That is the message conveyed last week by the British Insurance Association, representing more than 325 insurance companies which transact about 95 per cent of the worldwide business of the British insurance company market, and Lloyd's of London.

The British Insurance Association, announcing its annual results for its members for 1980, revealed that worldwide underwriting losses on general business had risen from £216.4m to £310m.

As the worldwide recession deepened, so premium growth on realistic terms had been difficult to achieve, said the association. Premium income from general business, including reinsurance and three year account business, rose by 8.7 per cent in 1980 to £8.2bn.

Inflation continued to have an adverse effect on the operations of insurers in almost every market, while the growth of sterling business abroad was affected by the strength of the pound. Collectively, these factors produced a significant deterioration in underwriting results.

But the decline in underwriting trends was offset by a £147m rise in investment income on general funds to £1.12bn. This pushed the overall results to a net surplus for BIA members of £818m for 1980 compared with £784.6m.

Over at Lloyd's, Mr Peter Green, the insurance market's chairman, was warning members at the annual meeting last week of the disadvantages caused by high interest rates.

He said that a major cause of the problems confronting the insurance industry was the availability of too much cheap reinsurance.

Reinsurance rates were offered on very competitive terms because reinsurers knew they would be supported by a good return from the high level of interest earned on the premiums.

Lloyd's was limiting the amount of reinsurance which could be secured by its members to ensure that syndicates did not overtrade and were unduly reliant on reinsurers to settle claims.

Mr Green warned that the prospect of failure of a reinsurer and the strains this could put on underwriting syndicates "should not be underestimated."

Outside the UK the underwriting trends are not promising. In the U.S., according to the experience of BIA members, depressed premium levels in 1980, due to intense competition and claims costs, effected by inflation, led to a 4 per cent underwriting loss on total fire, accident and motor premium of £1.29m. This compared with a loss of 1.6 per cent of premiums in 1979.

The trends are worse outside the U.S. Business from the rest of the world, excluding the UK, produced an 8.1 per cent total underwriting loss on premiums of £2.1bn, a significant deterioration compared with the underwriting loss of 4.5 per cent of premiums in 1979.

The experience of BIA members in their marine and aviation business, the bedrock of Lloyd's profitability, bodes ill for Lloyd's.

Like Lloyd's, BIA members keep their accounts open for three years on marine and aviation business and so it is not possible to state the outturn for 1980. The trends are worrying.

Worldwide marine and aviation business produced premiums of £561m for BIA members, but it has been necessary to transfer a net amount of £36.4m from profits. This compares with a transfer from profits of £7.5m a year earlier.

Yet with British insurers earning a more than adequate return from investments to offset underwriting losses, there are few signs that competitive pressures are likely to ease.

Indeed those groups which decided to adopt a prudent course during the earlier downswing of the underwriting cycle have now decided that such caution is not worth losing a market share. They are aggressively chasing business volumes.

LEGAL NOTICES

THE COMPANIES ACTS 1948-1967

EXTRAORDINARY RESOLUTIONS

Pursuant to Section 278 (1)(c) of the Companies Act 1948 of Mailflow Limited

NOTICE:
The Statutory requirement calling for 21 days notice was waived, there being a majority of shareholders with not less than 95% in nominal value of the shares in the Company, being present.

At an extraordinary general meeting of the above Company duly convened and held at 22 High Street, Sheffield, S1 2GE on the 12th June, 1981 the following extraordinary resolutions were duly passed:—

1. "That it has been proved to the satisfaction of the Company that this Company cannot by reason of its liabilities continue in business, and it is advised that the same should be wound up; and that the Company be wound up accordingly."
2. "That Mr. Barry Edward Calvert at 22 High Street, Sheffield, S1 2GE be and is hereby appointed the Liquidator of the Company for the purposes of such winding up."

Dated 12th June, 1981.
Director.

MAILFLOW LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at 22 High Street, Sheffield, S1 2GE, on Monday, the 6th day of July 1981, at 11 o'clock in the forenoon, for the purposes mentioned in Sections 293, 294 and 295 of the said Act.

Dated this 12th day of June 1981.
By Order of the Board.
Secretary.

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Public Works Loan Board rates

Effective June 20

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13¾	13⅞	14⅛	14¼	14⅜	14⅝
Over 5, up to 10	14¼	14½	14⅜	14⅞	15	15¼
Over 10, up to 15	14⅝	14⅝	14⅛	15⅛	15¼	15⅛
Over 15, up to 25	14⅝	14⅝	14⅛	15⅛	15¼	15
Over 25	14⅝	14⅝	14⅛	15⅛	15	15

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	12¾	½-year	1,000	1-3
Redbridge (01-478 3020)	13	½-year	200	6-7

هكذا من الأصل

BUILDING AND CIVIL ENGINEERING

McAlpine to build £23m shops centre

A CONTRACT worth £23m for the construction of a shopping complex in North End, Croydon, has been awarded to Sir Robert McAlpine Project Management.

To be built in two phases, the first calls for a four-storey departmental store to be built adjacent to an existing Debenhams store, a number of individual shop units and a supermarket.

The existing store will be demolished and rebuilt during the second stage when more shop units will be constructed, making 45 in all, as well as offices, plant rooms, pedestrian bridges and malls. Some 44,000 square metres of floor space will be provided.

Architects are John Clark and Associates and the quantity surveyors Wakeman Trower Partnership. Consulting engineers are W S Atkins and Partners (structural), Ronald Waird and Associates (services), and Watkins Payne and Partners (drainage). Completion is expected early in 1985.

Caribbean airport

The summer has started well for Johnston Construction which has been awarded about £8m worth of contracts.

One of the biggest awards is from the Government of the Turks and Caicos Islands in the Caribbean. Worth nearly £3.4m it is for the construction of a terminal building, fire station and control tower at the airport on Providenciales Island. The airfield is to be upgraded and extended.

Back in the UK Johnston has won a contract for an extension to Wakefield Calder Vale water pollution works. This work, which is being carried out for Yorkshire Water Authority, involves provision of increased hydraulic and biological treatment capacity, new sedimentation tanks, pumping stations and a new control building.

Cartwright group busy

A WIDE variety of projects, totalling over £7.3m are being undertaken by divisions of the Joseph Cartwright Group. Davies, Middleton and Davies has been awarded over £3m of work in South Wales and the West. This includes a £1.01m contract for the construction of the first motorway service station in Wales on the M4 near Bridgend.

For the National Coal Board at Oakdale Colliery a £673,000 contract is for landscaping and re-profiling of tips, including the construction of a drainage blanket, and attenuation dams, along with associated drainage channels and culvert.

A £248,000 contract from the CEGB Bristol calls for the construction of the Millgang workshop at Didcot power station. The contract includes the supply and erection of the lighting, heating and power installation, steel-framed building, brickwork and cladding.

Near Clevedon, Avon, a £172,000 contract with the Wessex Water Authority is for sea defence revetment work at Kinston Seymour.

International Stores has awarded the company a £104,000 contract at Treorchy, Mid-Glamorgan, for the replacement of a flood damaged reinforced concrete river wall to the River Rhondda while a contract valued at £206,000 has been entered into with R. M. Douglas for 810 Steel "H" Piles as foundations for retaining walls and a viaduct for the A467 improvement between Crumlin and Aberbeeg for Gwent County Council.

For the Welsh Development Agency a £582,000 earthmoving contract at Rassau in Gwent comprises the formation of terraces and drainage suitable for industrial development over an area of 70 hectares.

Bath-based, Hayward and Wooster, Cartwright's southern building arm, has also been awarded further work in South Wales. At Brecon under a contract with the Wales and West Housing Association the company is to construct 56 dwellings in traditional construction.

For the Mendip District Council a £628,000 contract at Frome is for the construction of 35 houses and flats. Other contracts in the West Country include teaching blocks at Brimsham Green School, Yate, for the County of Avon (£235,000) and alterations at RUH eye hospital in Bath (£216,000).

J. Cartwright Construction in Leeds has started work on several new contracts including one for the erection of 66 dwellings for Kirklees Metropolitan District Council valued at £900,000.

Two industrial contracts in Leeds for private clients include the construction of 28 nursery factory units (£600,000) at Old Lane, Beeston, and 19 small industrial units at Castleton Close, Armley (£450,000).

The partial demolition and rebuilding of an office block in York Place, Leeds, is now underway at an estimated cost of £140,000.

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TERRAIN

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£13m worth for Wimpey

CONTRACTS together valued at about £13m have been won by Wimpey Construction.

A management contract worth £4m has been awarded by Shell Research at Thornton Research Centre, Ellesmere Port, Cheshire, for a three-storey building with total floor area of 4,800 square metres.

The building will have a computer room, offices and workshop on the ground floor and laboratories and offices on the first and second floor.

Other works include an attached single storey substation and plant room and associated external works. Work which is just starting is due to be completed in October 1982. Architects are Lovelock Mitchell and Partners.

At Litherland, Liverpool, the company has won a contract for North West Gas worth over £4.3m for a gas control centre on which work has already started.

Construction will be in reinforced concrete piles and columns with concrete slab floors with structural steel roof trusses and metal deck roofing. Architects are Design Group for industry and completion is due in January 1983.

Also in Liverpool, Wimpey has a contract with J. Sainsbury for the erection and fitting out of a supermarket at Woolton Village.

The contract, worth more than £2.36m, calls for the alteration of premises at 7, Woolton Street. Included in the work is the construction of a pedestrian walk, surface parking for 216 cars, service yards, substation, drainage and external works.

Work has started and is scheduled for completion in May 1982. Pick, Everard, Keay and Gimson are the architects.

The central Lancashire Development Corporation has awarded Wimpey a £1.66m contract for 14 standard and nursery factory units at Roman Way 3, Preston, and the company is also undertaking a contract for Wimpey Waste Management for the construction of a rail terminal and ancillary works for receipt and disposal of domestic waste at Appley Bridge, Wigan. Value of this is £760,000.

Overseas, Wimpey Alawi LLC has won a contract from Oman Cement Company (SAO) for the construction of the Murrayat to Rusayl road in the Sultanate of Oman.

The contract is worth more than £1.9m.

Two jobs in Glasgow

TWO DEVELOPMENT projects, together worth almost £2.5m, have been started in Glasgow by John Laing.

One, worth £1.33m, awarded by Morrisons Associated Companies, is for building and refurbishment work on three adjacent sites at Dunlop Street, Glasgow, for Just Pants Plus, Graftons and Easlephit.

A five-storey block is to be built on a cleared site with a reinforced concrete frame, artificial stone facing and double-glazed metal windows. Next door, following the demolition of an existing building, there is to be a new three-storey reinforced concrete frame commercial block while another existing building will have internal upgrading and improvements carried out on three floors, plus a new reinforced concrete fire-escape staircase.

Architects for the project are Carl Fisher Sibbald and Partners.

The second Glasgow contract, worth £1.12m, is for a new retail development at Vine Street, Partick, for Allied Suppliers (Properties). This will be a Presto Foodmarket, with five smaller shop units and will be built in a part single, part two-storey development with surface parking space for more than 130 cars. Completion is due by March 1982.

Architects for the project are Comprehensive Design Group (Scotland).

Port of Spain car park

AN associated company of Higgs and Hill, Engineering Enterprises, has been awarded a contract valued at more than £2m by the National Insurance Property Development Company for the design and construction of a 600-space multi-storey car park in Port of Spain.

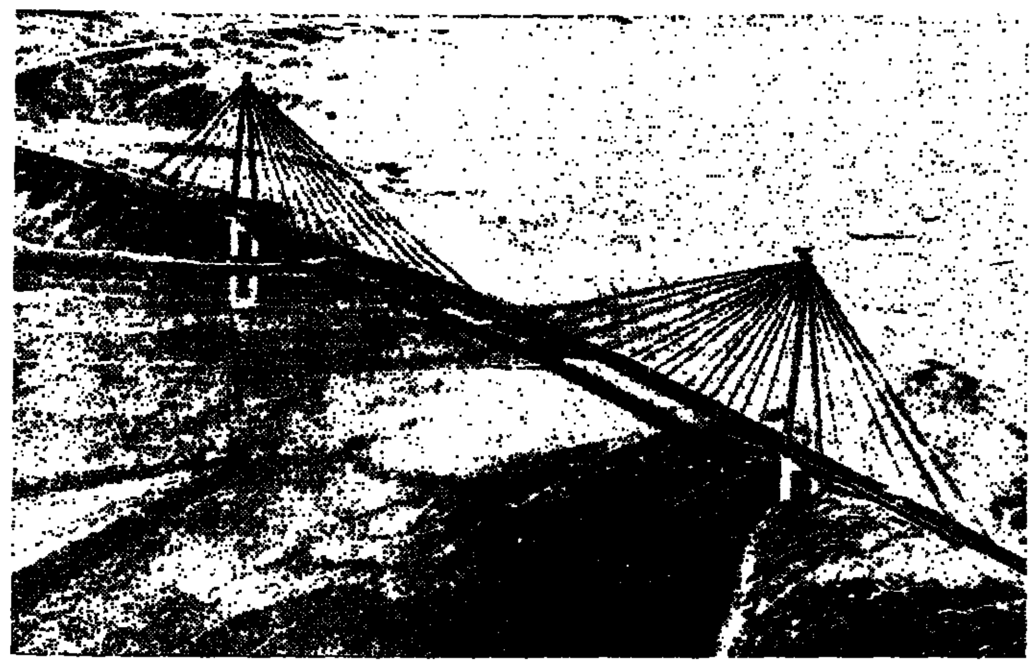
The car park will serve the nearby Riverside Plaza, a 14-storey office block for the Trinidad and Tobago Government now being completed by Engineering Enterprises.

Design is by the Higgs and Hill Group Engineering Department to the California Code of Practice for earthquake resistant structures. The 150,000 sq ft structure will stand on piled foundations and provide 14 levels of car parking.

Awards to Pochin

DEMOLITION and rebuilding an army training camp at Leek, Staffs is to be carried out by Pochin under a £3.9m contract.

Other contracts won by Pochin include the construction of a supermarket, flats and shops for Warrington Development Corporation (£641,000), superstructure for new county offices at Pencadlys, Gwynedd (£629,000), resin solidification plant at Trawsfynydd Power Station, North Wales (£565,000) factory extensions at Mobberley, Cheshire (£320,000) and extensions to Bangor, North Wales, General Hospital (£143,000).



Designing bridges for Korea

RENDEL Palmer and Tritton have been appointed consulting engineers for two long span cable-stayed bridges to be constructed in the Republic of Korea for Gwangju Regional Construction Office, Ministry of Construction. Financial assistance will be provided by the International Bank for Reconstruction and Development.

The bridges will connect two of the islands at the southern tip of the Korean peninsular to the mainland. Jindo Bridge, which will form part of a highway from Haenam to Jindo Island, will have a mainspan of 345 metres and an overall length of 485 metres.

Situated near the fishing port of Yoeus, Dolsan Bridge will have a mainspan of 280 metres and an overall length of 450 metres.

The bridges were designed by Rendel Palmer and Tritton working with consultants Trans Asia Engineering Associates and Korea Engineering Consultants Corporation (KECC) of Seoul, Korea. Supervision will be in association with Crouch and Hogg and KECC. It is hoped to complete the bridges in 1984.

Motorway repairs by Tarmac

RECONSTRUCTION of 17.3 kilometres of the hard-shoulder on the M1 in Northamptonshire is to be carried out by Tarmac under a £5m contract.

A number of other contracts have also been awarded to Tarmac, the biggest, worth about £400,000 is for building a new sports hall and ancillary accommodation at a school in Bedford.

In Nottingham, the company has won two council house modernisation contracts—24 homes at Lenton Abbey (£239,000) and 19 homes at Highbury Vale (£187,000). Another 29 homes are being modernised at Stannington, Sheffield (£203,000).

Meanwhile, Refurb-Tarmac's refurbishment specialist company—has won a £198,000 contract for work at Barclay's Bank in Stoke-on-Trent.

SITES, DESIGN, FINANCE, CONSTRUCTION

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£8m road in Ghana

A MEMBER of the Taylor Woodrow Group, Taysec Construction of Accra, has been awarded an £8m road contract by the Ghana Highway Authority.

The project involves construction of the uncompleted sections of a 52 km road between Navrongo and Nakong and other ancillary structures.

Ethiopian ports study

THE short and long term development of two Red Sea ports—Assab and Massawa—is the subject of a major study now being undertaken for the Ethiopian Government by Bertlin and Partners. The possibility of a new ship repair yard at Massawa is also being studied.

For the main study the consultant will be taking into account the traditional role of the Port of Djibouti and the Franco-Ethiopian railway, which links it to Addis Ababa.

This will be part of a comprehensive analysis of all the inland transport routes for the hinterlands of the two Ethiopian seaports and Djibouti.

These Bonds were offered and sold outside the United States. This announcement appears as a matter of record only.

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Lloyds Bank International Limited
Morgan Stanley International
Société Générale de Banque S.A.

June 22, 1981

BARCLAYS UNIBOND TRUST

NOTICE IS HEREBY GIVEN that the income distribution (including equalisation where applicable) for the period 7th May 1980 to 5th May 1981 totalled U.S. $9.69 GROSS per share.

COUPON No. 3 at the rate of US$9.69 per share is payable on and after 30th June 1981.

Coupons should be detached from Share Certificates and presented for payment at the office of any of the Paying Agents named below and left for three days for examination. Coupon listing forms may be obtained from the Paying Agents. COPIES OF THE BI-ANNUAL REPORT for the period 5th November 1980 to 5th May 1981 will be available to shareholders at the offices named below.

Banque Internationale à Luxembourg S.A., Boite Postale 2205, 2 Boulevard Royal, LUXEMBOURG.
Bank Bumi Daya, Jalan Juanda No. 20, Jakarta, INDONESIA.
Bank of Nauru, P.O. Box 284, NAURU.
Mid-Med Bank Limited, Savings Office, 233 Republic Street, Valletta, MALTA.
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PARIBAS

LOMBARD

The case for U.S. credit policy

BY DAVID LASCELLES IN NEW YORK

ONE HAS EVERY sympathy with the complaints coming from the industrialised world (and everybody else for that matter) about the high level of U.S. interest rates. The cost of borrowing dollars has frequently topped 20 per cent in the past couple of years, and this has forced other countries to keep their interest rates up too, often with severe domestic consequences.

But it is quite another matter to expect the U.S. to heed those complaints. The Bank for International Settlements, the new French Finance Minister and a number of European central bankers are among those who have tried publicly or privately to exert pressure on the U.S. to bring rates down. But they should have saved their breath to cool their fevered brows.

Impact

Anyone who observes the Federal Reserve Board from a U.S. perspective must realise that foreign considerations come so far down the list as to be virtually negligible. The Fed is wholly committed to fighting U.S. inflation which is still running at a basic rate of about 10 per cent, and it is not going to ease its tight hold on credit just because the French choose to elect a socialist government or even because the Bundesbank is getting squeezed between a flagging economy and a weak currency.

If anything the U.S. needs to keep interest rates high just now because of the beneficial impact that a strong currency has on inflation, though with foreign trade playing proportionately such a small role in the U.S. economy, few Americans seem to be aware even of that.

It is quite instructive to glance at the latest available minutes of a meeting of the Federal Reserve's policy-making open market committee (OMC) at which any overseas pressures to ease interest rates would have been debated. The agenda went as follows: the pace of economic growth, inflation, retail sales, industrial production, housing construction, employment, business spending, prices, earnings, and—finally—the dollar and the trade deficit. But there was apparently no discussion of the interplay of interest rates on the international markets or of what high U.S. interest rates might mean for world trade.

The Fed's behaviour in the last couple of weeks might even lead one to believe that it was trying to snub its foreign critics: it has continued to hold the Fed funds rate up even though the rest of the market has fallen away sharply. Had it wanted a pretext to lower rates, this was it.

Mr Anthony Solomon, the president of the New York Fed, and one of the more internationally-minded governors of the OMC, put up a good defence of the Fed's priorities in a speech to the Swiss-American Chamber of Commerce in Zurich last week, when he said: "The advice we sometimes get from abroad is to bring down interest rates, but this would mean essentially ignoring the immediate or eventual effects on the monetary aggregates."

In other words, controlling the growth of the U.S. money supply must remain the top priority. Mr Solomon also made the point that U.S. public confidence in the Fed's determination to stick by its monetary targets might be eroded if foreign considerations were seen to be shaping monetary policy. Harping back to that famous quote about General Motors, he said that the U.S. must continue to wage its all-out battle against inflation because in the long run what was good for the U.S. would be good for the world.

Tactics

Where critics of the U.S. might more effectively aim their darts is at the volatility of U.S. interest rates because that is a matter of tactics, not strategy. To have the Fed funds rate at 13 per cent one month and 20 per cent six weeks later is clearly disruptive for everybody. To some extent this is because of the frenzied way the markets react to any piece of news these days, even humdrum statistics like housing starts. But it also has a lot to do with the Fed's monetarist approach which aims to control the growth of bank reserves, virtually regardless of what this means for interest rates. If it had managed to even out some of the wilder fluctuations of the last six months, there would have been a smoother ride for everyone.

Arab oil find sparks complex defamation appeal

THE DISCOVERY in February 1970 of oil nine miles off a small island in the Arabian Gulf, which each of two American companies claimed to exploit by virtue of separate concessions made respectively by the Ruler of Umm al Qaiwain and by the Ruler of Sharjah, lies at the heart of an appeal which the House of Lords will be hearing for the next three weeks.*

It is an extraordinary piece of litigation by any standards: the parties have nothing to do with England, and the underlying dispute concerns the rulers of two Trucial States, now the United Arab Emirates and the British Government, which at the time was responsible for the external affairs of the states.

How then are our courts extending the facility of precious court-time to unravel a dispute that has apparently nothing to do with this country? We may be flattered by the respect foreign litigants show our courts, but there is a limit to their availability.

On October 5 1970, at a press conference held at the Great Eastern Hotel in London Dr Armand Hammer, chairman of Occidental Petroleum Company, is alleged to have slandered Buttes Gas and Oil Company. He said that the Ruler of Sharjah conspired with Buttes to increase the concession over his territorial waters from three miles to 12 miles (so as to include the oilfield) and that the Ruler fraudulently back-dated a decree-law so as to give himself 12 miles as from September 1969, whereas it was in truth not made until late March 1970.

Dr Hammer and his company pleaded in their defence that the words were true in substance and in fact, and counter-claimed damages for conspiracy.

The action for defamation uttered in an English hotel raises three issues: what was the area of the concession granted by the Ruler of Umm al Qaiwain to Occidental in November 1969; what was the area of the concession granted by the Ruler of Sharjah to Buttes in December 1969; and if Occidental was validly granted an area which included the 9-mile point where oil was discovered, did the Ruler of Sharjah, in collaboration with Buttes, fraudulently conspire to deprive Occidental of it?

A decade later the parties are no nearer trial of the action than they were when the writ was issued in 1970. This is because the courts have been inveigled by an inexhaustible supply of funds to support their forensic dispute into a series of highly-complex issues of international law that fascinate the academic lawyer and irritate the administrators of our courts, conscious of the waiting list of ordinary English litigants with their disputes unresolved because of hold-ups in the court's work-load.

In 1974 there was a foray before the courts launched by Buttes†. It claimed that the courts should not exercise jurisdiction in respect of matters that were "acts of state" of the Governments of Sharjah, Umm al Qaiwain, Iran and the United Kingdom.

But the Court of Appeal decided not to follow the example of the American courts which had—in parallel actions between the same parties—held that, in proceedings between private individuals involving an inquiry into the acts of sovereign powers, the courts are debarred from entertaining the action—even though the action was based on facts where there was no impugning of the immunity of the sovereign himself or challenge to the validity of the sovereign's laws.

The Court of Appeal, however, thought that if the doctrine of "act of state" was as wide as the Americans had developed it, there would be a danger of according to conspirators the ability to hide behind the skirts of foreign sovereigns, by procuring acts by those sovereigns who were not themselves amenable to legal actions abroad. So the case went ahead.

THE WEEK IN THE COURTS

BY JUSTINIAN

A year ago the parties were back again in the Court of Appeal in connection with Occidental's claims to be entitled to inspect certain documents, the existence of which had been disclosed in the list of documents that Buttes was obliged to indicate were in its possession, custody or power.

Nine days were spent in the Court of Appeal canvassing every aspect of the knotty legal issues. The result was an order that in effect a judicial plague on both the parties' houses.

Territorial issues had been settled in 1972 by international agreement; the continental shelf of the Arabian Gulf had been apportioned out; and the oil revenues had been divided by agreement. All that was left was the interminable action prompted by the press conference of October 1970.

Lord Denning, exhibiting a rare display of irritation, said that he would not allow any further discovery by either side: And in his pithy, idiosyncratic style Lord Denning ended by saying: "Either side can demand that the case be tried by a jury. I pity the jury. Set the action down for trial at once. Let it hang about no longer. For goodness sake get rid of it one way or another."

His colleagues agreed that there should be no further discovery. Last November, however, the House of Lords decided that the patience of English judges was far from exhausted and gave leave to Dr. Hammer and Occidental to appeal.

The fascinating question is whether the House of Lords will go back to the earlier decision of the Court of Appeal (which was not then taken further) and decide that after all courts are not the proper forum to act as arbiters of an international dispute about territorial waters.

Indeed, in last year's Court of Appeal judgment on discovery, Lord Denning said that he was beginning to think that he had been in error in 1974 when he allowed the action to proceed. Quite apart from the doctrine of "act of state", is there some general notion that national courts should not assume the function of arbiters of territorial conflicts between sovereign powers, even in the context of a dispute between private parties?

The American authorities proceed on the assumption that every sovereign state is bound to respect the independence of every other sovereign state, and the courts of one country will not sit in judgment on the acts of the government of another done within its own territory.

Dr Armand Hammer: Comment at press conference

Any redress of grievances must be obtained through the means established by the international community to resolve disputes between the sovereign states themselves. Since the courts in the United States have declined to entertain an action there by Occidental against Buttes, there is the powerful example for following suit here.

*Buttes Gas and Oil Co. v. Hammer (No. 3) [1981] Q.B. 223.

†Buttes Gas and Oil Co. v. Hammer [1975] Q.B. 557.

Many hope for Arlington Million

RACING

BY DOMINIC WIGAN

TO-AGORI-MOU, Bel Bolide and Robellino, who clashed in that memorable St James's Palace Stakes, are among the 86 remaining candidates for the inaugural running of the Arlington Million on August 30.

Cairn Rouge and Sea Chimes, who met earlier in the Prince of Wales's Stakes also stand their ground after the $2,500 June 1 forfeit stage. Of England's and Ireland's remaining 16 possibles there are five individual Classic winners, including Recitation, Known Fact and Mrs. Penny.

Argument, Cresta Rider, Hilal and the 1980 Poule d'Essai des Poulains victor, In Fijar, head the French-trained hopefuls. West German and Italian interests are represented by Esclavo and Isopach.

Still in the line-up are the top class Canadian pair, Ben Fab and Glorious Song; and the strong South American duo of Mount Drago and Premio Nobel, the respective champions of Argentina and Chile.

Leading the United States' nominees are their top horses in training, John Henry, Temperance Hill and Genunie Risk. They are backed up by Winter's Tale, Just A Game, Match The Hatch, Rossi Gold and the formerly European-based Kilijaro.

The final forfeit stage is July 15, but it will be possible to make supplementary nominations at £35,000 by that date. The international selection committee must then choose the final 14 to run for this million dollar purse plus ten reserves.

In today's racing, Haddfan returns to the south coast to bid for the Brighton Mile, a race he took a year ago at the age of five off 8 stone 3 lbs. I am hopeful that the Arundel veteran can oblige again as he sets out to lift the £5,000 added prize under a modest 7 stone 7 lbs.

A chestnut Lorrenzaccio horse, Haddfan meets four course winners in Helexian, Gusty's Gift, Fernaro and Monte Acuto.

Later in the afternoon, Gringa is taken to turn the form book upside down by accounting for Eastern Air in the Hove Maiden Fillies Stakes.

Gringa finished some way behind Eastern Air on this course in May.

BRIGHTON
2.00—Cruise Port*
3.00—Haddfan
4.30—Gringa***

PONTEFRACT
2.45—Over Here
3.45—Canaille
4.45—Ring Moylan
5.15—Chippenham

WOLVERHAMPTON
8.10—Street Market*

TV/Radio

BBC 1

☆ Indicates programme in black and white

6.40-7.55 am Open University (Ultra High Frequency only). 10.15 For Schools, Colleges. 11.25 You and Me. 11.37-12.35 pm Cricket: First Test—England v Australia. 1.27 Regional News for England (except London). 1.30 Heads and Tails. 1.45 News. 1.55 Wimbledon 81 featuring first round of the Men's Singles. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 The All-New Popeye Show. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Wimbledon 81.
7.15 Blake's Seven.
8.10 Panorama.
9.00 News.
9.25-12.13 am BBC Television Shakespeare: "Henry VIII" starring John Stride, Timothy West, Ronald Pickup and Claire Bloom: including 10.55 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales — 1.30-1.45 pm Pila pala. 5.55 Wales Today. 6.15 Heddiw. 6.35 Join BBC1 (Wimbledon). 12.13 am News and Weather for Wales.

Scotland—1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.13 am News and Weather for Scotland.

Northern Ireland — 4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.13 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester): Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton): Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.25 Cricket: First Test—England v Australia.
11.00 Play School Story.
1.05 pm Cricket: England v Australia.
2.01 For Schools, Colleges.
2.20 Wimbledon 81 and Cricket.
7.20 Plants in Action.
7.45 Mid-Evening News.
7.55 Arthur Negus Enjoys.
8.10 The Two Ronnies.
9.00 The Paul Daniels Magic Show.
9.40 Wimbledon 81.
10.45 Newsnight.
11.30-12.05 am Cricket highlights.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 Home and Design. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 The Diana Dors Show. 2.00 The Riordans. 2.30 Monday Matinee: Gregory Peck in "The Purple Plain." 4.15 Road Runner. 4.20 Now for Nookie. 4.45 Scarf Jack. 5.15 Money-go-Round.
5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 Sorry, I'm a Stranger Here Myself.
8.30 World In Action.
9.00 Quincy.
10.00 News.
10.30 The Sweeney.
11.30 Great Fights of the Seventies: Mohammed Ali v Leon Spinks.
12.25 am Close: Sit Up and Listen with Commissioner Catherine Bramwell-Booth.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "Father Came Too." starring James Robertson Justice, Leslie Phillips and Stanley Baxter. 5.15 University Challenge 6.00 About Anglia. 6.30 Survival. 9.00 The Sweeney. 10.30 Anglia Reports. 11.00 Speedway. 11.30 The New Avengers. 12.30 am The Other Day.

ATV

1.20 pm ATV News. †2.00 The Monday Matinee: "The October Man," starring John Mills and Joan Greenwood. 3.45 Money-Go-Round. 5.15 Father Dear Father. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 The New Avengers. 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee: "Hurricane." 3.45 Money-Go-Round. 5.15 Wild Wild World of Animals. 6.00 Lookaround Monday. 6.15 Try For Ten. 6.45 Mary Chipperfield and Friends. 10.30 Thriller: "Colour Him Dead." 11.45 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.00 The Monday Matinee: "The 39 Steps" 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Channel Report. 6.20 Cartoontime 6.30 The Junior Motorcycling Spectacular. 10.28 Channel Late News. 10.35 The Entertainers. 11.05 Mind Over Matter. 11.35 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. †2.00 Monday Matinee "Green Fire," starring Stewart Granger. 3.45 Money-Go-Round. 5.15 Mork and Mindy. 6.00 North Tonight. 6.35 Country Focus. 11.30 Rock Stage. 12.30 am North Headlines.

GRANADA

11.50 am The Bubblies. 1.20 pm Granada Reports. 2.00 Money-Go-Round. †2.30 Monday Matinee: George Cole in "Top Secret." 5.15 Joe 90. 6.00 Granada Reports. 11.30 Survival Special.

HTV

1.20 pm HTV News. 2.00 Money-Go-Round. †2.30 Monday Matinee: "The Naked Truth." 5.15 The Clifton House Mystery. 6.00 Report West. 10.28 HTV News. 10.30 "The Wrath of God," starring Robert Mitchum and Rita Hayworth.

HTV Cymru/Wales—As HTV West except: 10.05-10.20 am Cymru a'r Mor. 11.05-11.20 Mwy Neu Lai. 12.00-12.10 pm Ffalabalam. 2.00-2.30 Hamdden. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 10.30 World In Action. 11.00 The Brains International Matchplay Darts Tournament. 11.30-12.30 am Mannix.

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

F.T. CROSSWORD PUZZLE No. 4,600

ACROSS

1 Steps taken by rising prices in tariff (5, 2, 7)
10 Lamb after third-class girl (5)
11 Observer given first surprise (3-6)
12 Put out by strange device going round West-end (7)
13 Disfigure entrance to resort (7)
14 Sea company backing wine (5)
16 Loving to notice speech (9)
19 Act I greet may be a fag (9)
20 Avoid getting duck (5)
22 Increases measure to eat (5 2)
25 Choose one state out of sight (7)
27 To reverse female fashion in a different way (9)
28 Neither father returns to the stage (5)
29 Novel aspiration by pacifist (8,2,4)

DOWN

2 Officer put over invention to follow animal (6 3)
3 Inclined to have spare tin-opener (5)
4 Trouble at bank concerning conscription (9)
5 Best projection about the engineers (5)
6 Current hesitation to go to desert and sign (9)
7 Rail to a foreign port (5)
8 Sweep forward with operator (7)
9 Following direction, Carmen endlessly gets confused; what a laugh! (6)
15 What one may be paid in southern Ireland for reducing bottlenecks (9)
17 Hang on to individual importance (3 6)
18 Our CID men show a lack of propriety (9)
19 Accountants' swell way to start voyage (4 3)
21 Cockney doctor's art in London? (6)
23 Concoction there could put you to sleep (5)
24 Letter from abroad a student found in bottle (5)
26 Bit of old Ireland embraces one ornamental heading (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92.95vhf
BBC Radio London 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Stereophonic broadcast
‡ Medium wave

5.00 am As Radio 2. 7.00 Mike Read 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 Richard Skinner. 10.00-12.00 John Peel (s).

VHF Radios 1 and 2—5.00 am With Radio 2. 2.00 pm The Ed Stewart Show (s). 4.00 David Hamilton (s). 5.45 News and Sport. 6.00 David Symonds with Much More Music (s). 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (s). 7.30 Terry Wogan (s). 10.00 Jimmy Young (s). 12.00 John Dunn (s). 2.00 pm Wimbledon '81. 7.00 John Radio 2 VHF. 8.00 Folk on 2 (s). 9.00 Humphrey Lyttelton with the Best of Jazz (s) 9.55 Sports Desk. 10.00 Town and Country Quiz. 10.30 Star Sound 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (s). 2.00-5.00 You And The Night And The Music (s).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (s). 8.00 News. 8.05 Morning Concert (continued) 9.00 News 9.05 This Week's Composers: Roy Harris and Virgil Thomson (s). 10.00 Bach (s). 10.25 Cricket: First Test—England v Australia, including 12.35 pm News. 6.30 Mainly For Pleasure (s) (joining VHF). 7.00 Tippett: Sonata for Four Horns. 7.15 Crowded Hours. Alastair Hetherington in conversation with Hugh Trevor-Roper. 8.00 Janet Baker song recital, part 1 (s). 8.50 Birdy (first of five readings from William Wharton's first novel). 9.10 Janet Baker part 2 (s). 10.05 Bakky (short story). 10.30 Jazz in Britain (s). 11.00 News. 11.05-11.15 Ginette Neveu (s).

VHF—with Medium Wave except: 5.55-6.55 am Open University. 10.25 Yitkin Seow piano recital (s). 11.15 BBC Northern Symphony Orchestra (s). 1.00 pm News. 1.05 BBC Lunchtime Concert (s). 2.05 Matinee Musicale (s). 3.05 Pianists In Profile (s). 4.05 New Records (s). 4.55 News. 5.00 Mainly For Pleasure (s).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for [illegible]

BBC Radio London

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London Broadcasting

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هكذا من الأصل

THE ARTS

Alfred Lynch and Brenda Bruce Leonard Burt

Olivier

The Shoemaker's Holiday

by MICHAEL COVENEY

In our rattled times, the picture of social harmony drawn by the Elizabethan citizen comedies could easily assume the gloss of a sick joke. It is a chief merit of John Dexter's careful and entertaining revival of Thomas Dekker's wonderful play that there is as little room for displays of hollow patriotism and nostalgic glee as there is for false bonhomie and strident caricature.

The rise to status of Lord Mayor of London by the cobbler, Simon Eyre, is the most direct of the three interwoven plots. We learn very little about how he achieved the ascendency, but it seems that character and reputation have been honoured. His journeyman, Rafe, is dispatched to the French wars and separated from his beloved Jane. The other frustrated love affair involves the present Lord Mayor's daughter, Rose, and the nephew of the Earl of Lincoln. The nephew, Lacy, dodges *his* commission in France and returns in the disguise of a Dutch cobbler to work with Eyre.

The production is attractively costumed and played in front of a solid wooden structure which the designer, Julia Trevelyan Oman, enlivens with a series of representational tapestries. The petty intrigues of Sir Roger Otley and Lincoln, and the capering in Old Ford, have a light, almost one-dimensional impact compared with that of Eyre's workshop, which trundles down stage in full realistic splendour. The heart of the play is here, in the vision of heavy furniture, stone fire, John Normington's pipe-smoking foreman and the racks of shoes.

Alfred Lynch plays Eyre not as some Falstaffian roisterer, but as a sympathetic employer whose civic success is to be enjoyed as a deserved tribute to his craft. Even the endless abuse of his wife Margery, one vile epithet crashing into another to the general amusement of the work bench, is a superficial game played between partners in love. Mr Lynch's Eyre would have good reason to be appalled by Brenda Bruce's *arriviste* behaviour as the honours roll in, but he accepts her folly with a smiling good grace. For Miss Bruce's Margery is a fully rounded characterisation — a brilliant study in harmless snobbery as she flounces around on stilt-like clogs with talk of enlarging her bum before turning out at Sir Roger's in the gaudy apparel of the Virgin Queen gone wrong. Her misfired bawdy remarks carry the pathos of an empty-headed fight for social survival.

When Rafe (Peter Lovstrom) returns from France, his lameness is riskily elaborated by Mr Dexter into the loss of half a leg. The news of Eyre's appointment as Sherriff cannot lift the general gloom — a marvellous touch, this, that sets up Rafe's determination not only to join in the Morris dance but also to win back his Jane. When Rafe discovers that Jane is to be married, he flies off, literally hopping mad, in pursuit of his rival. Thanks to actor and director, an apparently tasteless production idea succeeds brilliantly — the Rafe scenes are both touching and funny.

The show is a further demonstration of Mr Dexter's unrivalled confidence in this theatre. John Salthouse as Firk, the clownish apprentice who initiates the resolution of the romantic plots, can even elicit direct response from the audience. The company are not shy of us. If there is a song to be sung, they sing it straight into our laps. If a load of cobblers must teem into the London street, they will do so via the centre aisle. Nor is there anything nudging or coy in the delivery of Dekker's concentrated bawdy language. It is all spoken naturally and swiftly, Mr Dexter saving his emphasis for a clever tableau effect where the apprentices, having brandished their truncheons over the slimy Hammon as Rafe wins back Jane, echo Firk's sexual innuendo by sloping their tools for a corporate phallic thrust.

The supporting company is competent, not outstanding. Elliott Cooper's Hammon, for instance, the city slicker who closes in on both bespoke ladies, could do with a touch more heterosexual bravado. Peter Needham takes three steps sideways for every one forward as Dodger, but the character has a slightly manufactured feel about it. Perhaps his artfulness is why Nicholas Selby plays Otley as an oleaginous Fagin; but this performance, with its strangely unctuous Cockney vowel sounds, is a cut above the average.

There remains the delightful *bonne bouche* of David Yelland's snappy King, costumed and tonsured like Olivier's Henry V. The point is a nice one, for *The Shoemaker's Holiday* dates from the very year, 1599, when Shakespeare completed his history cycle. Simon Eyre is not in the least deferential towards this puppy monarch, gaining his privileges for the trade with an easy rub of the shoulders.

The music by Dominic Muldowney, played live by a septet that includes spinet, oboe and strings, is both muscular and enchanting. Together with the lighting of Andy Phillips, it completes a memorable evening —a play by a Londoner, about Londoners, for Londoners (tourists permitting).

Odeon, Hammersmith

The Tubes

It is extraordinary that theatrical rock has not attracted more practitioners: rock music has tremendous visual potential and adding a succession of *coups de théâtre* lifts the potential to tremendous heights. Alice Cooper, of course, made a good living out of Grand Guignol effects but in his case bad taste was all.

The Tubes are quite different. They put on a marvellous show and at Hammersmith on Saturday presented not just a fine concert musically but what could well be one of the most enjoyable theatrical occasions of the year. If it is at all possible, see them.

The Tubes are seven clever Americans who began in California as artists in experience events. They now present a beautifully produced entertainment, under-pinned by their skilled musicianship but focused on the personality of Fee Waybill, who looks like a Danny Kaye of the 80s but with a personality which makes Kaye seem like a Crossroads walk on.

Waybill sings but he also dresses and undresses into a new personality for each song and delivers them astride a TV set; dashing around the theatre as Mr Hate; wrestling with three Janet Reger clad girls in a sado-machistic number; kitted out as a diver; as a business executive; as a pirate; as . . . Well, the nicest thing about The Tubes is that while every scene takes a fairly conventional target—sex, big business, television—the approach is fresh, professional, and, above all, good natured.

ANTONY THORNCROFT

Architecture

The High Victorian Dream

by COLIN AMERY

"I am afraid that if any improvement is expected, it must be got by working up to our architecture, not by working down from it. In fact, we have no architecture to work from at all: indeed, we have not even settled the *point de départ*. Our art . . . is domestic, and the best way of advancing its progress is to do our best in our houses . . . if we once manage to obtain a large amount of art and colour in our sitting rooms . . . the improvement may extend gradually to our costume, and perhaps eventually to . . . architecture."

These are not the musings of the new President of the Royal Institute of British Architects or the ramblings of a Post Modernist but the thoughts of William Burges writing in 1865. His dilemma in the 1850s was not unlike ours today. We are looking for a new architecture, a new approach to the art of architecture after the Gaderene rush of the Modern Movement.

William Burges began to believe early in his career that the future for Victorian architecture was a kind of progressive eclecticism, but his experience taught him that the future of the art of architecture depended on a renaissance of the minor arts. Like so many thinkers in the 1970s Burges then felt that "small is beautiful" art should start to flower at home.

The parallel nature of our architectural dilemma and that of the 1880s is well drawn by the author of a major new book, *William Burges and the High Victorian Dream* by J. Mordaunt Crook, to be published next Thursday by John Murray, price £40.

It is one of the most substantial studies of high Victorian art, architecture and design to appear for a long time. J. Mordaunt Crook has a great gift for synoptic writing. He has chosen one of the most original and eclectic Victorian architects, best known for his fantasies at Cardiff Castle and Castell Coch and the Tower House in Kensington, and made him the central figure in the complex tale of the Victorian search for a dream to match the material progress of their day.

Let it be said at once that this is a masterly, illuminating and enjoyable book. It must have been written and researched with a kind of High Victorian energy that matches its subject. J. Mordaunt Crook has been working on this book for nearly ten years and he inherited ten years of work that had been done on Burges by Charles Handley-Read.

The preamble tells the sad tale of the life and work and tragic double suicide of Charles and Lavinia Handley-Read. They were a remarkable partnership, forming together one of the greatest collections of Victorian decorative art. In their house in London it was William Burges who was the presiding presence. His books and drawings, his bed were the centrepieces of a house full of High Victorian Gothic, all of it acquired during the 1960s. J. Mordaunt Crook has been the saviour of Handley-Read's life's work. He has turned an obsessive interest by one man into an accessible account; a book that is a model of research and writing.

William Burges was born in 1827, the son of a successful engineer. He trained as an architect working with Blore and later with Matthew Digby Wyatt. In 1851 he joined Henry Clutton and together they were *successful* in the competition to design Lille cathedral—it was never built. In this book the story of Burges's life is brilliantly set into the context of the mid-Victorian uncertainties. The dream of the Middle Ages, the aspirations to build a Gothic world, the enthusiasms for the Orient are all carefully woven into the story of Burges's own development.

It was Edward Burne-Jones who wrote, "The more materialistic Science becomes, the more angels shall I paint." It was Burges with his three main clients; A. J. B. Beresford-Hope, Lord Ripon and the most romantic of them all John Patrick Crichton-Stuart, the third Marquess of Bute, who *built* the High Victorian Dream.

This book is excellent on the formation of Burges's vision. The author is careful to point out how catholic Burges was—not for him the exclusive Gothic view. He travelled to Greece and Rome and reminded architects that Greece was the "sheet anchor" in the art of architecture. He travelled to Turkey and tried to see there the links between the arts of the East and the West.

He loved the colour in the shimmering vaults of Palermo and he was moved, perhaps most of all by early French Gothic architecture particularly the cathedral at Beauvais. He was a great collector and a serious archeologist. He was aware of the arts of Japan and an early collector of Japanese prints alongside the works of Cranach and Durer, and a good gathering of armour, ivory, metalwork and Medieval manuscripts.

Carcassonne comes to Wales: Castell Coch by William Burges (1875-9) near Cardiff, Glamorgan.

All these influences were to flower in his buildings. Colour is perhaps the most obvious characteristic of the interiors of Cardiff Castle and Castell Coch built for the Marquess of Bute.

There are good colour plates in the book but sadly only 11 of them (with 261 in black and white). Cardiff sings with vivid medieval colours and the bold invention of Burges in details like the animal wall, the Arab room and the dazzling pattern making in Lady Bute's bedroom.

The author of this study suggests that because Burges was able to give material form to his clients' Medieval dreams he somehow opted out of the architectural debate of the late 1870s. By suggesting that Burges moved into a "luxurious backwater" is to imply that the real architectural action was happening elsewhere. Burges was an artist and the only course for him was to develop his art. It would have been a total waste of his talent for him to have indulged in the battle of the styles throughout his career. His dictum that "the only way to improve taste is by seeing beautiful objects" was his answer to the stylistic battles of his day. He didn't retreat into a decadent dream world but made more and more beautiful objects.

Burges died in 1881 in the splendour of his bedroom at the Tower House. He had built one cathedral, St. Finbar's in Cork, where there are more than 1,200 pieces of sculpture, all designed by him. He had built two of Yorkshire's finest churces —at Studley Royal and Skelton, and designed some of the finest church plate and other metalwork since the Middle Ages.

As the author points out so clearly it is Burges who links late Victorian design to the more frantic efforts of the *Art Noveau*. Once you have seen an example of Burge's Gothic furniture you will never forget it (there are good pieces in the Victoria and Albert Museum in London and the Cecil Higgins Museum in Bedford)—all the vibrancy of his vision is encapsulated in a washstand or a cabinet.

This is one of the best architectural books that I have read, it achieves the impossible and enables us to share not just Burges's vision but the whole of the high Victorian dream.

William Burges and the High Victorian Dream by J. Mordaunt Crook. Published by John Murray on June 25, price £40, 454 pages.

Wigmore Hall

Parikian-Fleming-Roberts Trio

by DAVID MURRAY

Saturday's recital by Manoug Parikian, Amaryllis Fleming and Bernard Roberts prompted not only gratitude for a thoroughly satisfying evening, but two thoughts: (a) that this piano trio must now be classed with the best string quartets in the country, and (b) that they should *think* of something to call themselves. "The Parikian-Fleming-Roberts Trio" doesn't exactly trip off the tongue, and besides the suggestion of an *ad hoc* ensemble is quite wrong. Each of them has a soloist's authority, as with all the best piano trio's, but their united musical front betrays neither competition nor compromise.

In Brahms' B major Trio, op. 8, and in Dvorak's *Dumky* Op. 90—the "trio" that consists of a half-dozen dumkas—their special strengths were ringingly effective. Above all, Roberts' transparent command of gradations of piano tone permits him a full dramatic range without elbowing his string partners out of the foreground: they *all* revelled in Brahms' near-orchestral climaxes, without raising a suspicion that anybody —themselves or Brahms—was stretching the medium. Splendid, invigorating sound; and Roberts was no less eloquent in the rapt pianissimo of the Adagio, nor in Dvorak's engaging bursts of salon-figuration. Parikian added a knowing ethnic throatiness to the right Dvorak passages, and Brahms' long cello lines were strongly sculpted by Miss Fleming.

The players found as much rewarding variety in the Dvorak sequence as they had found cogent argument in Brahms' Trio (of which the symphonic ambitions were specially insisted upon, pursued with determined energy). In Beethoven's op. 121a Variations on "Ich bin der Scheider Kakadu," which began the recital, no special graces were needed: in that odd and endearing piece—a grandly sombre introduction introduces Wenzel Müller's operetta tune, which is then classically varied with continual hints of tongue-in-cheek — musicianship and an amiable manner are enough to prove that Beethoven could produce masterpieces in the most unlikely forms. That the Parikian-Fleming-Roberts Trio did: and may we now have a more likely name to call them by?

Tricycle, Kilburn

Tap Dance on a Telephone Line

by MICHAEL COVENEY

Donna Franceschild's musical play, directed by Jules Holledge, is an oddball mix of muted feminism, political awakening and sentimental love story. Set in a Los Angeles telephone exchange where the girls are under pressure to increase their "load" in what is already an underpaid job, the obvious model is *The Pajama Game*. Connecting customers to Idaho and Ohio is done between snatches of personal conversation and the growling intrusions of a hatchet-faced supervisor. Donna Franceschild, who has written the book, lyrics and music, acknowledges the source with a somewhat scrappy re-write of "Steamed Heat."

The other chief source is Miss Franceschild's own experience as a telephone operator and the surface reality of the production is certainly appealing. Mary Moore's design consists of a large-scale spaghetti of telephone wires and flickering red lights beneath which the four employees sit on swivel chairs at desks of jumping plugs. Domestic scenes are simply staged in the middle of all this, fluency ensured by Steve Whitson's lighting.

With so much going for it, the project is nonetheless let down by the banality of the songs and the show's general musical ineptitude. Only Pat Starr as the longest-serving operator can sustain a number, while the attempts at group harmonisation are embarrassing. Little Mouse (Marilyn Milgrom) develops an affection for the sloppy, demonstrative Sherry (Colette Hiller) that is not quite appreciated. Sherry has her own problems, anyhow, with the supervisor and, in a maudlin last 20 minutes, is driven to suicide by the installation of a bell system to keep the calls moving faster.

The fourth girl (Marcia Kash) is torn between the options of college and marriage, settling for the latter. On the way, there is some good intercutting dialogue among the girls, strapped to their jobs but forming a group alliance of strength. Unlike in *The Pajama Game*, there is no truce with the management at the end: the girls stamp out a hate song against the American Telephone and Telegraph and begin a wild-cat strike. The character of Mouse I found irritatingly under-written. But, with a better score, this could have been a real humdinger.

Hungarian Music Week at Riverside Studios

In a series of five converts (June 30-July 4) at the Riverside Studios, Hammersmith, some of Hungary's most important young instrumentalists are making rare British appearances.

The programmes cover works by Liszt, Dohnanyi, Bartok and composers of more recent Hungarian generations.

The performers include the Eder String Quartet (playing Haydn and Kurtag), a much-awaited first visit by the New Music Studio of Budapest, the pianist Erika Lux, the renowned cimbalom players Marta Fabián and Agnes Szakály, and the flautist Istvan Matuz.

ICA

Ella

by B. A. YOUNG

You know how sometimes a fine performance can make the evening for you when other things seem below standard. Well, in Tim Albery's production of *Ella*, by Herbert Achternbusch (translated by Estella Schmidt and Gavin Muir), there are seven faultless performances by hens, four white and three black. They never panic when there is a sudden fortissimo in the playing; they join in a squawking chorus at the end, when a squawking chorus is indicated; they allow themselves to be handled without resistance.

Even better is the performance of Bill Paterson as a German girl (the translation makes him struggle with English for a while, and then gives up). He spends the evening in the hen-house with the hens, making coffee and recalling the circumstances that got him into a home during the last war, bullied by the staff until the Americans came and got him and his companions out, at the expense of free sexual exchange. Mr Paterson spends the evening dressed in a skirt, and only changes into men's clothes at the end, with no explanation that I could follow.

In fact I couldn't follow very very much. I didn't know why Janet Henfrey should emerge from under a coverlet over a bath and go and watch television with nothing to add to the dialogue. The programme says that the theme is an attempt to escape from the "stunted, repressed, authoritarian" society of Bavaria, which accounts for the image of the home. It doesn't account for the reversal of sex, as far as I can see, and nothing is made of it.

All the same, Mr Paterson's performance is so superb that you can concentrate on that alone, on the astonishing illusion of improvisation, the magnetic association with the audience. The play lasts about an hour and three-quarters. I was disillusioned with Herr Achternbusch after half an hour, but I was involved with Mr Paterson right up to his final suicide.

CRICKET BY TREVOR BAILEY

The six mistakes that cost a test

AUSTRALIA beat England by four wickets yesterday after an absorbing contest and a tense finish, thanks to an inspired spell by Dilley.

This was the first occasion that a Test has been staged in this country on a Sunday and the tourists go one up in the six match series.

There can be no complaint. They deserved their victory because Lillee and Alderman displayed greater penetration than their opposite number for most of the game and, most important of all, received superior support from their fieldsmen.

England put down an improbable six catches in the Australian first innings with the result that they reached 179 instead of being dismissed for around 100. These mistakes ultimately cost them the game.

One possible outcome of this defeat was that Ian Botham might be relieved of the captaincy. England have failed to win a test under his command while his own form has also been disappointing. However the selectors last night reappointed him captain for the Lords test.

The pitch at Trent Bridge has been a seamers' paradise on which the ball moved extravagantly off the seam and the bounce was unpredictable.

If it had not been for a combination of bad weather, light and catching, the match would have finished on Saturday even though the England bowling was often below international standard.

It was the type of wicket on which a class seam bowler should expect to capture five for 50 against a strong batting line-up, as both Lillee and the most impressive Alderman demonstrated.

Although this Nottingham wicket was unsuitable for a five-day test, and as it is now, covered throughout, made spinners entirely superfluous, it provided plenty of entertainment. Cricket can never be dull when wickets are constantly tumbling and batsmen, knowing their lifespan is likely to be limited, take calculated risks.

In these conditions, slow over rates and the monotony of a succession of bowlers, with long runs and the keeper standing back plus sereotyped fields, are forgotten.

Spectators will regret that the Australians turned down the 100 overs per day minimum agreed between the two countries if on a docile pitch—say Edgbaston—their pace quartet managed to send down only 80 overs in a full day and England averaging three runs per over, not a bad rate in a test, could not reach 250 by close.

What is the ideal pitch for a test? It should possess pace and an even bounce. Ideally on the fourth and fifth days, a spinner should be able to turn the ball sufficiently to beat the bat and as a result become more effective than the pacemen. However it is not easy to obtain in a climate like ours.

Slow bowlers who are going out of fashion do need encouraging and it was therefore good to see that in the two second innings of last week's Essex v. Middlesex match that, despite both teams possessing powerful seam attacks, it was the slow bowlers who did the damage.

More wickets like the one at Valentine's Park would be appreciated by all those who like to see the spinners in action.

RAC warns of risk to City

THE RAC has called for an investigation into ways of unclogging London's roads.

In a submission to the Commons Transport Committee investigating transport in London, it says the situation must be regarded as a national problem.

It says London has not had its fair share of the national resources allocated to road building for years and if adequate new roads are not built, the snarl-ups will accelerate the decay of the central area and eventually cause the death of the City.

Nevertheless, even if constructive, dynamic plans were to be agreed, they would take a long time to implement. So the RAC wants an immediate investigation into how to improve traffic movement on existing roads.

TENNIS BY JOHN BARRETT

Borg seeks sixth championship

THE 95th Championship meeting which begins at the All England Club today promises the usual blend of skill and drama befitting the world's leading tennis tournament.

Watching Bjorn Borg practising against Vitas Gerulaitis on Court 6 on Wednesday I was impressed by his sureness of timing and confidence of footwork on the still sappy grass. He looked better prepared than I have ever seen him at the same stage over the past five championship-winning years.

When I talked with him afterwards it was clear that this tournament means more to him than any other. The same single-minded determination was apparent in the pale blue eyes as he said without conceit: "I would like to be remembered as the greatest player of all time." A sixth win to go alongside his recent sixth French title would bring that wish a step nearer.

He has not yet won the U.S. Open, but I have no doubt that the 25-year-old Swede is the best match player I have ever seen. Barring accidents, he should certainly reach the final again.

The draw has been kind to him. Gerulaitis (16th seed) is the first seed in his path—a player he has never lost to in 17 meetings.

In the quarter finals lies Brian Gottfried (7th) whom he beat in four sets in last year's semi-final. At that stage this year either Jimmy Connors (3) or the tall American who holds the Australian title on grass, Brian Teacher (6th), will face him.

Speculation

This speculation ignores the seeding upsets which are an inevitable part of Wimbledon's first week of excitement. Frankly, I can see no one in the top half of the calibre to unseat Borg. However, keep an eye open for Peter McNamara of Australia who has lately raised his game to a new level. He was bred on grass, and may come through to a quarter-final meeting with Borg at the expense of Gottfried.

In the lower half, John McEnroe (2nd) of the stinging swinging left-handed serve, has the skill and class to emerge to the semi-final at least. There he is due to face the 21-year-old Czech, Ivan Lendl (4th), who lost to Borg in a five-set French final.

Many reckon that Lendl is not yet ready to beat the likes of Roscoe Tanner (8th) or Victor Pecci (11th) on grass. Remembering the way he carved up the junior field here in 1978, I expect to see Lendl face McEnroe, and perhaps even surprise the American.

However, all logic points to another Borg v McEnroe final with the outcome as closely balanced as last year's epic five set match. I admit to some trepidation in suggesting that McEnroe, with a game tailor made for grass courts is now, at his fifth Wimbledon, ready to assume Borg's mantle. Sentimentally, I would be delighted to be wrong.

In selecting Chris Evert Lloyd to win a third championship, following six appearances in the final since 1973, I am banking on pedigree. Despite a game more suited to slow clay, and her recent semi-final loss in Paris, Mrs Lloyd nevertheless has the class and experience to succeed again.

With Saturday's BMW finalists, Tracy Austin and Andrea Jaeger both in her half, Mrs Lloyd has not enjoyed the lucky draw. All three play with similar, patient, double-handed style, but the two young challengers have yet to prove themselves at Wimbledon, and may not yet be quite ready.

In the lower half, a semi-final between the two Czech-born seeds—Hana Mandlikova (2nd) and Martina Navratilova (4th) —would produce a difficult psycological problem for the new 19-year-old French champion.

Talent

Miss Mandlikova grew up in Prague idolising Miss Navratilova. But if, with her suspect back and a record of erratic performances, she survives, I believe Miss Mandlikova's unquestioned talent will take her to another major final. Despite last December's grass court win in Australia, I expect her, though, to fall victim to Mrs Lloyd's unerring consistency and burning desire to re-establish herself.

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Telephone: 01-248 8000

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Reagan's lack of leadership

PRESIDENT REAGAN came to power in Washington five months ago with the implicit promise that the U.S. would become a rejuvenated, more incisive power in world affairs. That promise has not so far been fulfilled. Many decisions have not yet been made; those which have been taken have often been questionable.

The shift of mood in America to which Mr Reagan owes his election is obvious, but has not yet produced a coherent foreign policy. It remains obscured by battles for personal power in the Washington hierarchy. The basis for a continued dialogue with Moscow, however frosty, has not been laid. On matters as crucial as the Strategic Arms Limitation Talks, nuclear non-proliferation, and the North-South dialogue, Washington remains uncertain.

Grain embargo

It may be that the U.S. system does not lend itself to the rapid formation of policy under a new Administration, not knowing the institution of a shadow cabinet such as parliamentary rather than presidential democracies evolve. Mr Reagan was partly out of action for weeks after the attempt on his life. Moreover, domestic economic affairs have required much of his time.

None the less the seeming indecision in Washington on many issues has bewildered America's allies. Though there are instances where the Reagan administration can be shown to have responded to their anxieties, they have often felt that Washington is not sensitive to their needs.

The repeal of the U.S. embargo on grain shipments to the Soviet Union was a case in point. To the President it was the fulfilment of an election promise. To the allies it was a move without countervailing concession from Moscow, at a time when the Polish crisis made discretion essential in dealing with the Russians.

In the Middle East the missions of Mr Philip Habib, the President's special envoy, have helped to prevent the worst. But the peace process begun at Camp David remains firmly bogged down, and Israel must take much of the blame. But Washington failed in not discouraging Israel from acting against the spirit of the agreement by its strengthening of the Jewish settlements on the West Bank.

Mr Reagan's commitment to the Israeli cause was known from the beginning. It coloured his embarrassed and awkward reactions at a Press conference on June 16 when asked about the Israeli raid on Iraq's nuclear reactors. Admittedly he did suspend delivery of four of a batch of F-16 fighters to Israel, but that may prove no more than a slap on the wrist.

Washington's policy in Africa has veered towards friendship with South Africa, at the risk of damaging the western initiative to come to an agreement for the independence of Namibia. There may be little that the West or the UN can do to shift Mr P. W. Botha's Government against its wishes, but the signals from Washington are likely to make it more rather than less intransigent.

Europeans worry about what appears to be an oversimplified view in Washington of the world as a stage for confrontation with Communism or, to be more specific, with the Soviet Union. The admittedly often bumbling addiction of the Carter administration to human rights is going down the drain. As oppressive a regime as that in Guatemala is considered a welcome helper in the battle against real or imagined Marxists.

Defence burden

On the other side of the argument, the Reagan Administration, after some shilly-shallying, did agree to seek contact with Moscow in the matter of Nato's so-called dual track decision to deploy new nuclear missiles in Europe, but first trying to negotiate limits on these weapons on both sides of the East-West border. Washington has also agreed to support the French proposal at the Madrid Conference on Security and Co-operation in Europe for a European disarmament conference.

Western Europeans may justly demand that U.S. indecisions or wrong decisions must not be allowed to undermine the alliance, at a critical phase of its evolution. Given Moscow's behaviour, Washington, for its part, has a right to insist that Europe should carry its rightful share of the defence burden. But the Europeans are entitled to rejoin that mere anti-Communism is no substitute for an articulated foreign policy.

An opportunity in Cyprus

A BRIEF period is about to begin when some progress may be posible on the Cyprus dispute. The Greek Cypriots held their elections last month and the Turkish Cypriots are doing so next Sunday. With these polls out of the way it should be possible to make the advance in resolving the dispute which many of the main actors in the dispute have publicly predicted.

But the "window of opportunity" is limited. By November there is a possibility that the Cyprus dispute could fall foul of Greek domestic politics in just the same way as the Greek-American defence talks did last week when negotiations over military bases in Greece broke down.

This autumn the Greeks must hold general elections. There are widespread predictions that Dr Andreas Papandreou, the Greek socialist leader, could emulate his friend President Mitterrand and finally obtain the power which the Colonels prevented him from obtaining in 1967.

Policy change

Dr Papandreou has already made it clear that he is prepared to campaign to stop a "sell out" in Cyprus. His father sent Greek troops to Cyprus in the mid-1960s. There is a good chance that, if he wins power, he might seek to end the policies of non-involvement in Cyprus which Greek governments have followed since the collapse of the Colonels in 1974.

This is one reason why the West should reject suggestions that Cyprus is stable and can be forgotten. A second is that the level of vitriol, particularly from Turkish Cypriot leaders, shows the fragility of the present peace. A third and crucial factor is the degree of suffering caused by the present division of the island. One-third of Cyprus's population was driven from their homes in the fighting which followed the Colonels' coup against Makarios and the Turkish invasion. Britain, in particular, as a guarantor of the treaties establishing Cyprus in 1960-61, has more than a moral interest in seeing the situation resolved.

For the past ten months the Greek and Turkish Cypriots have been trying to make progress through regular intercommunal talks. These have resulted in a welcome if brittle easing of tension. But that is all. The fundamental reason for the lack of progress is the Turkish Cypriots' refusal to make concrete proposals, in paritcular on the crucial issue of how much of the island they wish to retain.

As so often in the past, when Mr Rauf Dentkash, the Turkish Cypriot leader, is under pressure at home, he has toughened his stance towards the Greek Cypriots. It was one thing for the Generals in Ankara to allow this before the Turkish Cypriot elections. It would be quite another if they allow him to continue in this direction afterwards.

The Generals, however arguable their record on human rights, are to be commended for the way they have launched a period of improved relations with Greece by lifting their objections to its reintegration into the military wing of the alliance. This involved little, if any, sacrifice of national interests. The same would be true if they were to begin to show a real interest in a Cyprus solution. The security of the Turkish Cypriots is now largely assured, following the physical separation of the communities. There are no Greek forces on Cyprus which could threaten the Turkish mainland.

Diplomacy

The next intercommunal talks on the issue of territory are due on July 15. Presenting the Turkish proposals on territory should be left no later than this. The proposals could well be in the form of a range of options linked to the type of constitutional arrangements to be agreed between the two communities.

But taking the issue forward should not be left merely to the Turkish and Greek Cypriots. The current UN representative on the island, Dr Hugo Gobbi, has shown his ability. It is time for him to start the wider shuttle diplomacy which Britain would like to see. Many of the pieces of the political jigsaw of a Cyprus solution are now in place. But they may not remain so for long.

RESCHEDULING POLISH DEBT

More than money at stake

By Peter Montagnon

DISMAY AND disappointment reverberated round the banks of Europe last week when it became known that U.S. banks had flatly rejected proposals to reschedule Poland's debt.

Their decision means that hopes expressed by many European bankers for agreement at least in principle by the target date of June 30 are almost certain to be dashed.

Yet as they ponder the many months of arduous and bitter negotiations that now seem to lie ahead, they can still take some comfort from the fact that to have reached a rescheduling agreement so quickly would have been nothing short of miraculous.

The dilemma faced by the banks is not only commercial. Any action they take might tip the balance for or against Soviet invasion of Poland.

Never before has a country on the financial brink in this way also been under threat of invasion from abroad. And never before has the banking community been asked to defer repayment of sovereign loans without the comforting support of an economic programme endorsed by the International Monetary Fund, of which Poland is not a member.

All this means the banks have had to tread unusually carefully in the four months since Poland first told them it could not repay the $3.1bn in loans maturing this year.

No major international agreement to defer repayment—or reschedule as the jargon puts it—has ever been completed in anything like such a short time. In Turkey's case 20 months of hard bargaining was needed before $3bn was rescheduled in late 1979. The latest big rescheduling, for Bolivia, took nearly a year to complete and that involved amounts totalling only $450m.

"In essence the problem is simple," said one international banker last week. "They've got our money and can't repay: either we agree to wait, or we write it off. With so much money at stake no one wants to take the loss. So we agree to wait—we have no choice."

In practice, however, agreeing to wait has never been easy. No bank wants to see its rival get a better deal; all need an arrangement that will satisfy their auditors; and in the period of waiting there is always a risk that one bank will break ranks, declare a default and scupper the whole arrangement in advance.

From this point of view Poland is one of the toughest rescheduling cases ever.

In the first place, more money is at stake than ever before. Bank for International Settlements figures show that Poland owed western banks a total of $15.1bn at the end of last year. This was offset by deposits in the banking system of only $620m.

Its loans are spread among an exceptionally large number of institutions—about 460 in all—each of which has to agree to any final rescheduling arrangement.

Even Turkey, which until Poland came along held the dubious distinction of having pulled off the largest rescheduling ever, only had to reach agreement with 240 individual banks.

That this was to be no ordinary rescheduling was already clear when Mr Jan Woloszyn, deputy president of Poland's Foreign Trade Bank, rose to put the country's debt request to a group of about 70 bankers in London on March 5.

Quite apart from anything else, no banker present wanted to chair the meeting, and it was only reluctantly that the seat was taken by Mr Peter Greer, a senior executive of Chase Manhattan.

As they listened to Poland's request—for $3.1bn to be deferred for ten years and an immediate bridging loan of $1bn—most of the others present were wondering how to avoid becoming too closely involved.

"It's not just the question of management time and effort," said one. "It's also the problem of being too closely identified with the borrower in a situation that's bound to produce fireworks."

In most other reschedulings this problem of identification with the borrower has not been relevant. A small group of banks has generally been closely identified with the debtor already by virtue of its large exposure to that country.

The 13 member steering committee of banks that negotiated Nicaragua's rescheduling last year, for example, held no less than 53 per cent of the claims under discussion.

Poland's debt was so widely spread about the banking community that a more democratic system had to be found, and this led to the creation of the 20-bank task force which is now co-ordinating the negotiations.

The composition and numbers of this task force has fluctuated from time to time, but in essence its members represent the banks of leading creditor countries. British banks, for example, are represented by Lloyds Bank International and Barclays, while U.S. banks have up till now been represented by Bank of America and Citicorp.

In truly democratic style the task force has no permanent chairman. Its meetings have been chaired by the host bank, Lloyds Bank International in London and Dresdner Bank in Frankfurt. When it meets in Paris on Wednesday Banque Nationale de Paris will be in the chair.

It acts simply as a channel of communication with recommendations and ideas passed on by its members to national co-ordinating committees of banks in their own respective countries and ultimately from there on to each individual bank owed money by Poland this year.

This cumbersome procedure is a far cry from the traditional rescheduling system where a steering committee of banks most heavily involved agrees terms with the borrower in closed negotiations before they are finally passed on for simple endorsement by all concerned.

It is one more reason why Poland's debt problems are harder to solve than others and, moreover, one reason why, despite extraordinary efforts to maintain secrecy, the twists and turns of the rescheduling debate have never been far from the glare of publicity.

Now, following the U.S. banks' rejection of the terms proposed, the task force is preparing for its most acrimonious meeting yet.

It is not just a question of the financial conditions proposed for the rescheduling over 7½ years of repayment of 95 per cent of the $2.4bn in bank debt falling due between March 26 and the end of the year.

The U.S. banks would certainly like to achieve more than the 1¾ per cent margin over the London inter-bank offered rate (Libor) suggested, but more important to them is the question of principles. For the European banks, which broadly speaking support the proposals, the whole issue boils down more to one of expediency.

What the American side is saying is that there is no point in rushing into an agreement which will set a precedent for similar arrangements in 1982 and 1983 without a detailed discussion of the very complex issues involved.

To allow time for this they would like all bank loan agreements with Poland to be frozen for a period of six months. Poland would still have to pay interest on its borrowings, but no default would be declared for non-payment of principal.

This, they say, would not only allow the banks time to assess more carefully how realistic Poland's prospects for economic recovery really are; it would also pave the way for an agreement in which all parties concerned are treated equitably.

The problem here is that there are not only a large number of banks with loans outstanding to Poland. The type of credit varies widely from case to case.

Chase Manhattan, for example, led two loans in 1975 and 1978 for a total of $525m which were designed to finance the development of copper mining in southwest Poland. Repayment was tied to the proceeds of copper exports and Chase now feels that these loans should be treated differently from pure financial credits without such a specific repayment clause—a point vehemently disputed by other banks.

Another disagreement has arisen with short term & *forfait* paper used by Poland for financing trade and widely held among continental European banks. Non-banks too hold such paper and if they are repaid while the banks have to reschedule their own holdings, Poland could be accused of treating one set of creditors more generously than another.

The U.S. side—whose representation on the task force has now been boosted by the addition of Bankers Trust—wants an agreement which will eliminate fears of unequal treatment in matters such as this, even at the cost of taking extra time.

For the European side expediency dictates that agreement should be quick. Collectively the European banks are much more heavily exposed to Poland than their U.S. counterparts, and they desperately need a watertight agreement which will free them from the awful risk that one single bank might break ranks, declare a default and send the whole edifice of Poland's debt tottering in ruins.

They also argue that an agreement is an essential prerequisite for getting the Polish economy back off the ground. Without it there is no chance of Poland receiving additional short term finance from banks and little chance of more money being forthcoming from governments.

For the time being, however, the U.S. voice is too loud to ignore. Pressure on the Europeans to comply with their wishes at Wednesday's meeting will be extreme—there was even some talk last week of a kind of U.S. coup d'etat on the task force whereby those unwilling to toe the line would be quietly removed.

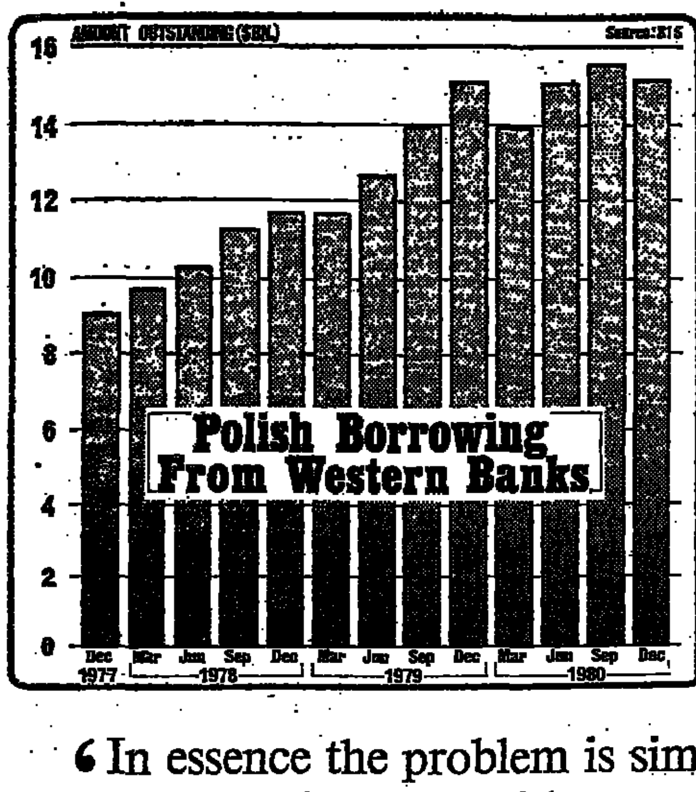
The U.S. banks are also treading on very dangerous ground now

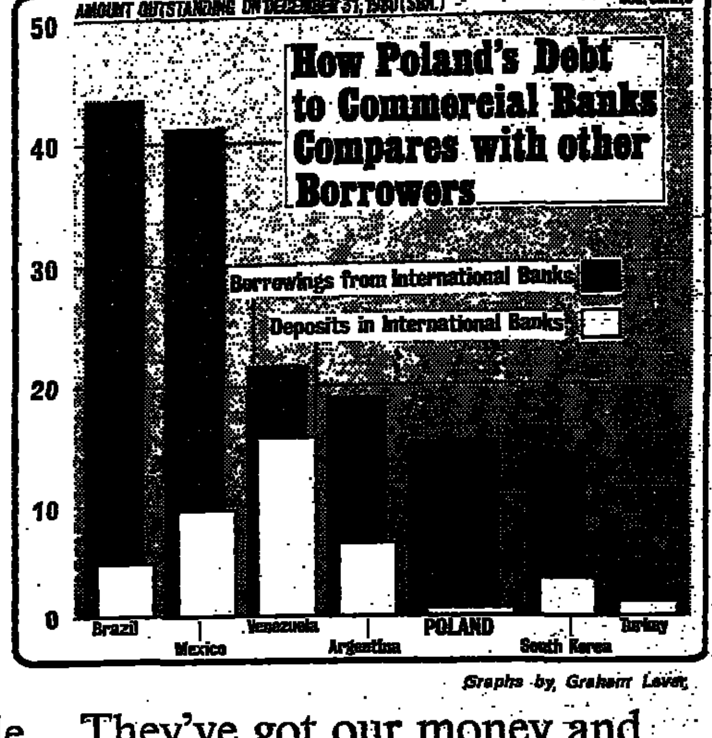
But the U.S. banks are equally treading very dangerous ground. Over the weekend the deadline expired preventing holders of the unpaid Bank Handlowy $30m Floating Rate Notes from suing to recover their money.

There is always a danger that some non-bank holders of these notes may decide to do just that, which in turn would bring the risk of a chain default immeasurably closer.

The political stakes seem to be increasing too. With its economy strangled for lack of cash, the Polish Government badly needs to make progress on the debt issue before the Party Congress begins next month. Otherwise the hand of the party hard-liners could be considerably strengthened, as disillusion with the West's willingness to help took hold.

"If things go on like this," said one economist who prefers not to be named, "the Poles will be forced to turn back to Moscow for help. In fact they'll end up welcoming the Russians in."





Graphs by Graham Lever

❛In essence the problem is simple. They've got our money and can't repay: either we agree to wait, or we write it off. With so much money at stake no one wants to take the loss. So we agree to wait—we have no choice❜

No bank wants to see one of its rivals getting a better deal

POLAND'S LEADING BANK CREDITORS ($M)

	Amount of medium term loans outstanding on 31/12/80	Due for repayment in 1981	1982
Germany	2,644	678	563
U.S.	1,780	575	465
France	1,224	378	389
UK	953	220	191
Austria	439	203	94

MEN AND MATTERS

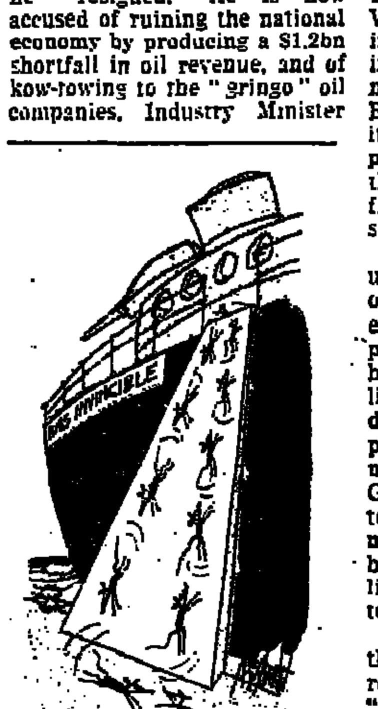
Hero today, gone tomorrow

In the higher reaches of politics down Mexico way, they can love you and leave you with a velocity that makes Henry VIII look constant in his affections.

Last month's front-page star and this month's tortilla and chips wrapping is Jorge Diaz Serrano, for five years the head of state oil company Pemex. One of President Jose Lopez *Portillo's closet friends,* Diaz Serrano tripled output and made Mexico the world's fourth largest oil producer. He became something of a national hero, and was viewed as presidential material.

All that has, to put it mildly, changed. For around his neck hangs the highly unpopular decision to reduce the price of Mexican crude by four dollars per barrel, after which he "resigned." He is now accused of ruining the national economy by producing a $1.2bn shortfall in oil revenue, and of kow-towing to the "gringo" oil companies. Industry Minister Jose Andres Oteyza spent four hours in Congress dancing upon Diaz Serrano in the verbal equivalent of hobnailed boots, though not once mentioning him by name.

To bask out one's latter years in the sunny pastures of elder statesmanship is rarely the reward for Mexican politicians once shorn of the people's love. Mexico's last president, Luis Echeverria, went into self-imposed exile, and was for a time Mexico's ambassador to Australia, a post of minor importance. Diaz Serrano is keeping his head well down and not making public statements. But there are suspicions that he may end up in a pleasant enough post, all things considered, as Mexico's man in Britain.



"On, off—on, off—I wish the Cabinet would make up its mind"

Chatterbox

Tired? Nervous? Irritable? Worried, perhaps, about plunging first thing Monday into that important business meeting still none too sure of your ground? But hoping, no doubt, to conceal it beneath a veneer of practised polish and the conviction that the other man is at least as frayed as you on this fine summer morning?

Well, you might as well give up hoping right now, if your opposite number has seen fit to equip himself with a new pocket-sized gadget which will help to make modern life that little bit more ghastly every day. The Voice Stress Computer, fresh from the satanic mills of Birmingham company Group One Investments, is there to take the words out of your mouth, strip them bare of false bonhomie, and lay your trembling soul open to your inquisitor.

"It's applications encompass the whole spectrum of human relationships," crows the maker, "business negotiations, employee relations, purchase decisions, political observation, personal encounters etc., and because the computer is not directly connected to a subject, monitoring can take place without the subject's knowledge."

The Voice Stress Computer measures "micro-tremors" in vocal performance. There is, claims the manufacturer, a marked drop in the frequency of micro-tremors under stress. With the demonic support staff of "sensitive microphone, special filters and other electronic devices," the Computer flashes up a red light when it *detects a forked tongue at work.*

Nor is it even necessary to *sell your soul to get one*—£145 is the going rate for undermining the foundations of civilised society.

I will issue the following warning once only. Should this nefarious device ever be used against my own person, that cocktail of irascibility, mendacity, venom, delirium tremens and bad faith which I laughingly refer to as my personality will blow the nasty thing clean out of its user's pocket in clouds of foul-smelling smoke.

On the hops

These are less than sparkling times for Camra, the Campaign for Real Ale, whose 16,000-strong membership is now around half the level signed up in the heady days of five and six years ago. The rate of membership renewal is only around 60 per cent, and subscriptions will rise on July 1 from £5 to £7.

Even then, subscriptions will yield only two-thirds of the £150,000 annual budget. The *balance may be made up with* borrowings guaranteed by the pub-owning Camra Investments, a company with its origins in Camra but run as a separate entity. That borrowing is not, however, regarded by Camra as a satisfactory state of affairs.

The loyal Camra drinkers have been asked to try to recruit one new member apiece, and friendly public houses and clubs are invited to join with affiliate status at £15 a year.

Publication of Camra's glossy magazine "What's Brewing" has been suspended "pro tem" after the launch last year, although the monthly newspaper sent to members is safe for the time being.

The Camra British Beer Festival, held in August, is striving this year to reach the parts which its beers do not normally reach, by moving northwards to Leeds from ever-more-expensive London.

Tim Amsden, Camra's chairman, maintains that the need for Camra is as strong as ever. He cites Bass's recently-announced proposed ending of its Union brewing system, and the closure of Ansell's brewery in Birmingham, as the sort of matters which are of great concern to real ale watchers.

At least part of the present problem, says Amsden, dates back to the runaway success of the national Good Beer Guide. Campaign finances came unstuck in 1979 when the print run was inflated to 100,000 copies, and Camra was left with a surplus of 20,000 unsold volumes. This year, the print run is being kept to 60,000 which the group hopes will get the cash flowing back into its coffers.

Staying on

A spirited defiance of Suez lingers on at the British Embassy in Cairo. Last week saw the Egyptian national holiday with the urgent title "Evacuation Day," marking the anniversary of the final withdrawal of British troops from the Suez Canal bases in 1956.

Egypt has more public holidays than most Arab countries—including Islamic special days, well into double figures. For most embassies, a spot more rest is welcome enough. But not so on Evacuation Day for the British Embassy, which maintained the traditional indifference to history and was on that day the only one in the Egyptian capital solemnly at work.

Observer

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FINANCIAL TIMES SURVEY

Monday June 22 1981

United Arab Emirates

The rapid oil-financed growth of the United Arab Emirates has been accompanied by rather slower progress towards political unity. As it approaches its tenth birthday, the Federation is trying to come to terms with the impact of social change, the need for long-term economic planning and the challenge of wider instability in the Gulf region.

Comfort of being proved right

By Roger Matthews

THE CELEBRATION of the United Arab Emirates' 10th birthday on December 2 should provide a moment of justified self-congratulation in a region where for the past year there has been all too little to cheer about. The satisfaction the UAE will feel at having proved wrong the most pessimistic predictions of a decade ago will, however, be slightly soured by the knowledge that the same dire forecasts are being made in a different set of circumstances today.

It was doubted when the British forces pulled out of the Gulf in 1971 whether seven highly individualistic rulers could ever agree to divest themselves of enough authority to make a single state viable. Although that question has still not been entirely satisfactorily answered, it now causes less anxiety than the danger of the UAE becoming embroiled in the wider instability of the region.

Paradoxically, one of the UAE's greatest strengths is its obvious weakness. It produces enough oil — currently about 1.5m barrels a day — to be enormously wealthy, but not sufficient for its policies to have much impact on world supply or prices. It is developing its armed forces, but the issue will always be the extent to which they can become a credible deterrent rather than the threat they may pose to someone else. The UAE seems more at risk through its general political association with the conflicts of the Arab world and its strategic position at the mouth of the Gulf.

This has been brought home sharply by the war between Iraq and Iran and subsequently by the insistence of the Reagan Administration that Gulf security should take precedence over other Middle East issues. It has been unnerving for the Emirates to witness Iranian fighter aircraft violating their airspace and to read Washington debates on the feasibility of the Rapid Deployment Force securing the Gulf oilfields.

These two factors rather than a real fear that the Soviet Union is moving relentlessly towards the region prompted the UAE to become an enthusiastic founder member of the Gulf Co-operation Council. At the inaugural summit meeting in Abu Dhabi last month, Saudi Arabia, Kuwait, UAE, Qatar, Bahrain and Oman jointly emphasised their determination to prevent the Gulf becoming a focus of rivalry between the U.S. and the Soviet Union.

It is easy to be sceptical about any Arab attempt to achieve common policies, let alone work towards some form of unity. The likely degree of success can usually be measured by perceived size of the external threat which gives the new Council a fighting chance.

When Iraq moved aircraft towards the mouth of the Gulf during the first weeks of the war, in what was a preparatory move to seizing back the three Emirates' islands which had been occupied by Iran in 1971, there was a clear risk that the fighting would spread. At the time, the UAE did nothing to prevent the Iraqi initiative but has since made it clear that it will seek the return of the islands through exclusively diplomatic channels.

Weakened

This attitude demonstrates that the UAE, in common with other Gulf states, can now afford to be less influenced by a weakened Iraq but also that it still does not wish to do anything which will needlessly provoke Iran. While the threat of an extended war has eased, nothing has happened to diminish the risk of Iran seeking to spread its revolutionary Islamic message to the conservative states on the other side of the Gulf.

The siege of the Grand Mosque in Mecca exposed Saudi Arabia's vulnerability to dissident religious forces and it would be a courageous UAE ruler who would reject the possibility of such contagion spreading.

Small, essentially tribal societies have been all but overwhelmed in the past 10 years by a massive influx of foreigners whose only interest in the country is the money that can be earned there. Abu Dhabi and Dubai have been transformed into mini city states of high-rise buildings where nationals now represent little more than a quarter of the population. Rulers and Ministers believe that they are still responsible for the destiny of their country but the advice on which their decisions are based invariably comes from expatriates.

The industrialisation programme on which Abu Dhabi has embarked will not only need many billions of dollars from oil, which might otherwise be better left in the ground for future generations but will also suck in still more foreigners who will in turn impose further demands on local services.

There are indications that the younger generations are beginning to see the necessity of escaping from this costly development spiral but they have an uphill fight against entrenched interests for whom nothing is allowed to interfere with the pursuit of higher profits. During the next 12 months the fate of the five-year plan, which devotes considerable attention to the need for population planning, will give some clue as to whether the Emirates will opt for a more controlled approach to development.

Over much the same period the political maturity of the Emirates will also be put to the test when the Constitution again comes up for discussion. The 1971 provisional constitution, amended in 1972 when Ras al Khaimah belatedly decided to join the federation having failed to find oil and extended for another five year period in 1976, should at the end of this year be finally and formally adopted.

All seven Emirates agree they would like a permanent document but several of them doubt whether it will be possible because of the serious differences that still exist over territories (squabbling over border issues still breaks out occasionally), the size and distribution of the federal budget, forms of political representation and the powers to be exercised by the national government.

However if these differences cannot be resolved it need not stop the less dramatic progress that is being made through individual rulers accepting to relinquish a small part of their authority on a particular issue. Abu Dhabi's dominance of the oil sector and therefore the budget has aided the integration process but oil finds by other Emirates, especially Sharjah, which expects to be producing 80,000 b/d next year, could reawaken devolutionary instincts.

Conversely, the failure by Abu Dhabi and Dubai to ensure a more generous flow of development funds to the poorer northern Emirates will exacerbate the resentment which has lately provoked unprecedented strikes among lower paid civil servants.

Earmarked

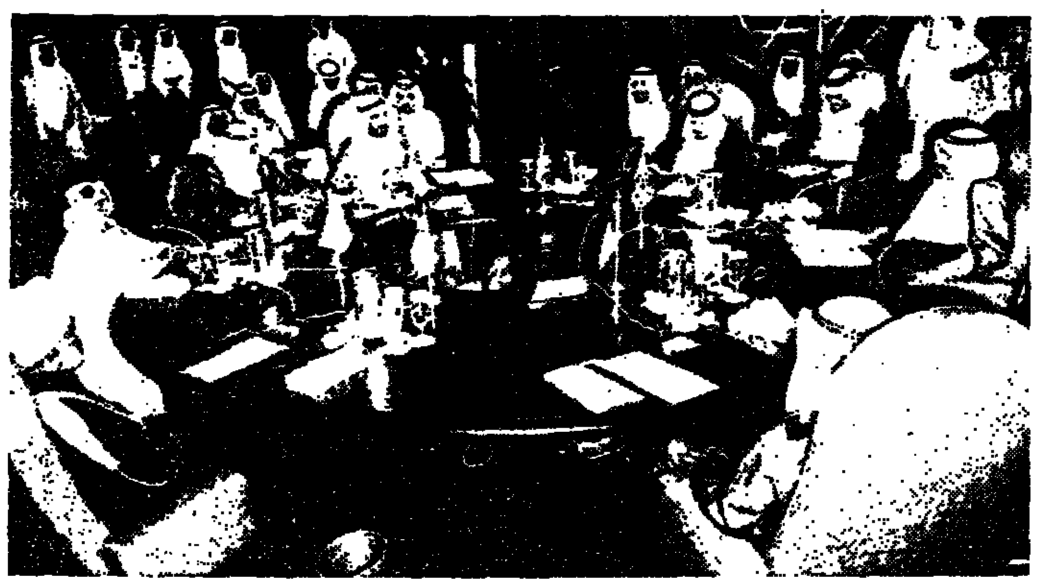
It is argued that the present rulers, all of whom have known what it is to be poor, are aware of the problems caused by severe inequalities of income, but there is little sign of their main economic advisers agreeing on how best to tackle the problem. A larger chunk of the federal budget has been earmarked this year for subsidising essential commodities, but this does little to combat the underlying causes of an again rising inflation rate or the serious shortage of lower-priced accommodation.

These issues should have a bearing on the pace at which Abu Dhabi is seeking to build an industrial base.

But it has also to be recognised that one of the single strongest bonds holding together the Emirates, their society and the power of their rulers, has been the confidence that each year will bring more wealth than the previous one. One senior Government official has decorated his office with pictures of Bedouin encampments in the desert, "to remind me of what we are inevitably heading back to." He believes that so much money in such a brief period has corrupted values to such a point that everything else has become secondary. He is probably wrong.

Of course oil wealth has changed the Emirates beyond physical recognition and it has produced excesses which are a part of sudden riches, but the pessimists would also find themselves at home in most other countries which cannot count on 50 years assured supply of oil.

The Emirates have shown for the past nine years that they can cope reasonably well with their own good fortune. How well they will be able to manage the external pressures of the 80s and the impact these will have on their own changed society is the question they are now facing.



The heads of state from the United Arab Emirates, Saudi Arabia, Kuwait, Oman, Bahrain and Qatar gathered in Abu Dhabi last month for the inaugural meeting of the Gulf Co-operation Council

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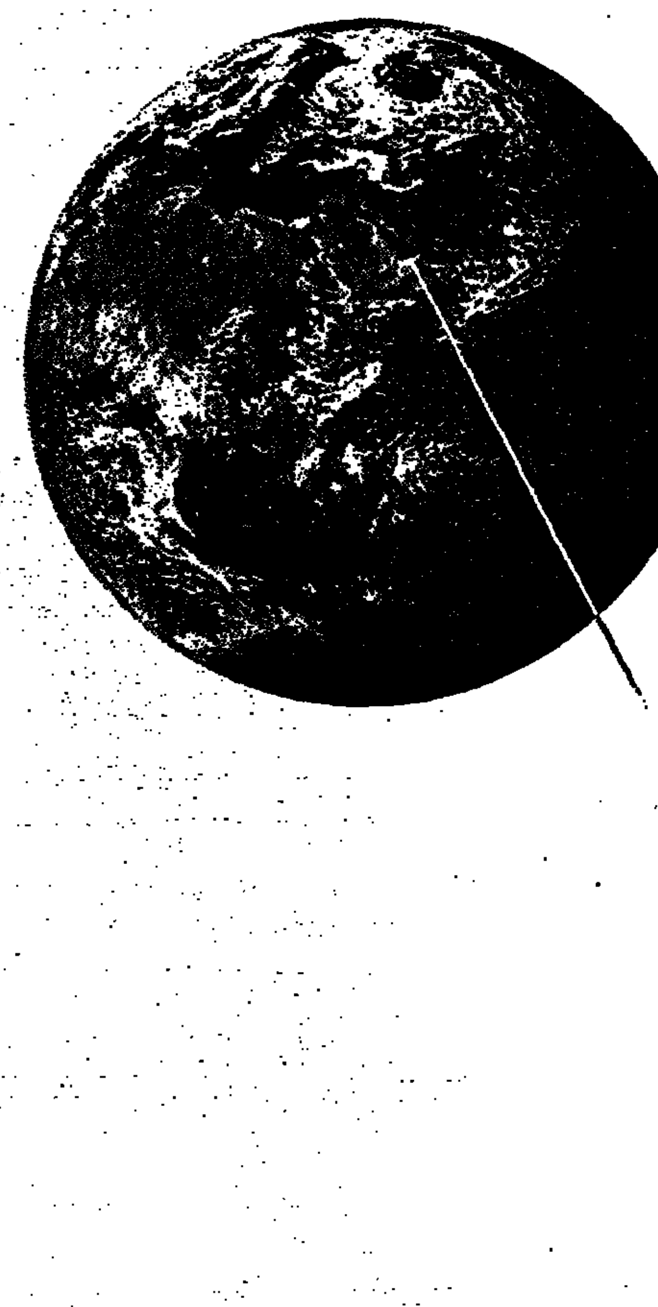

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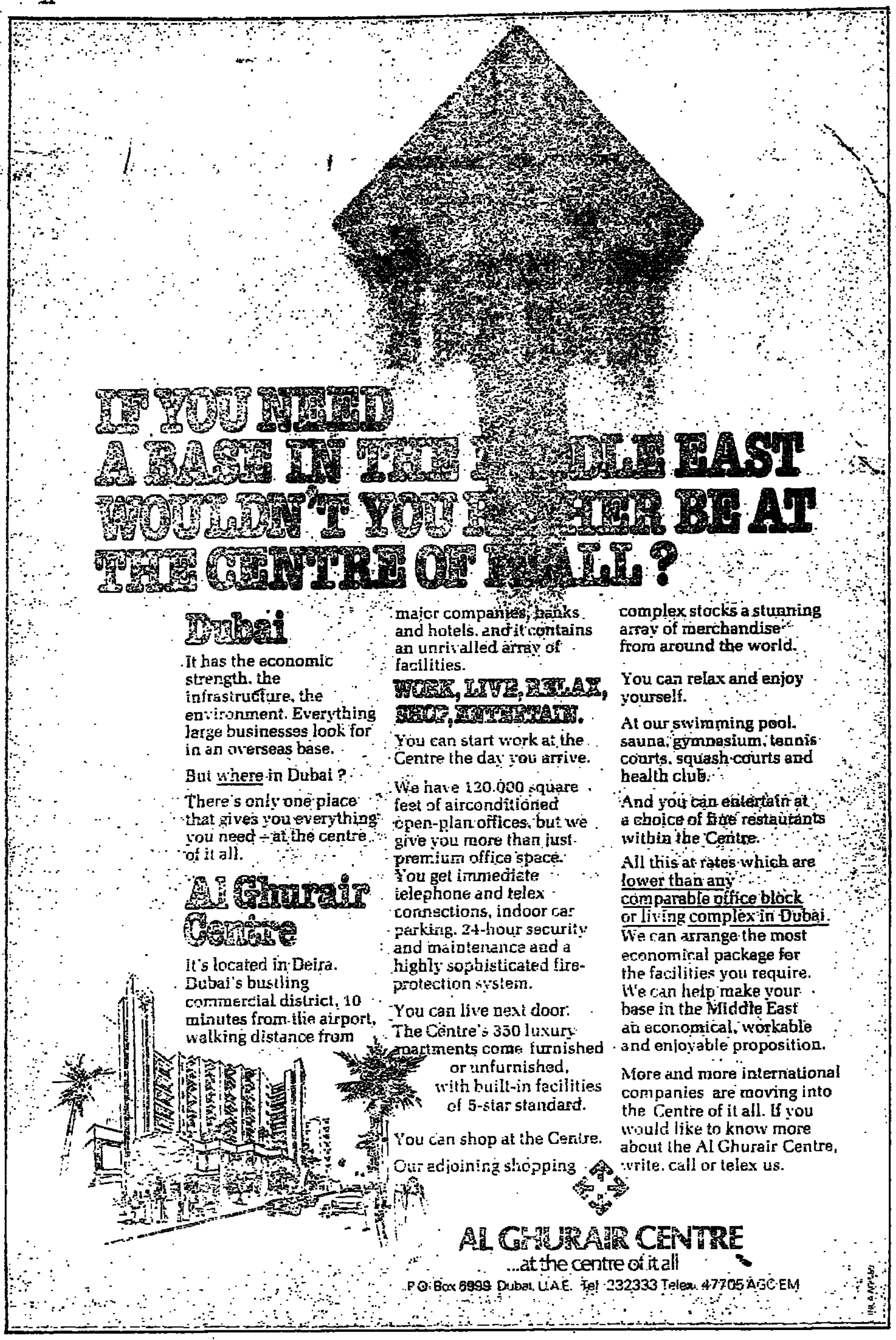
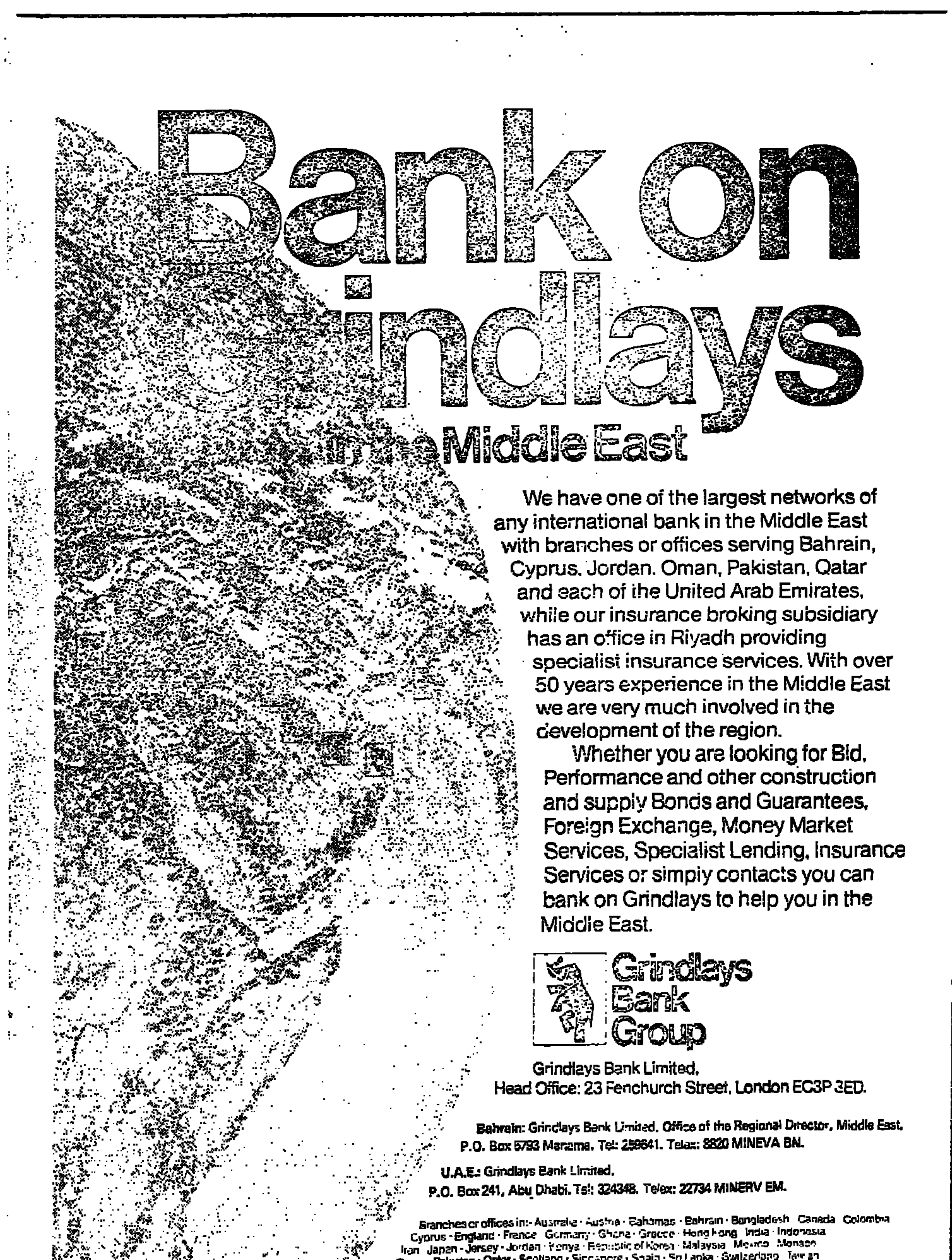


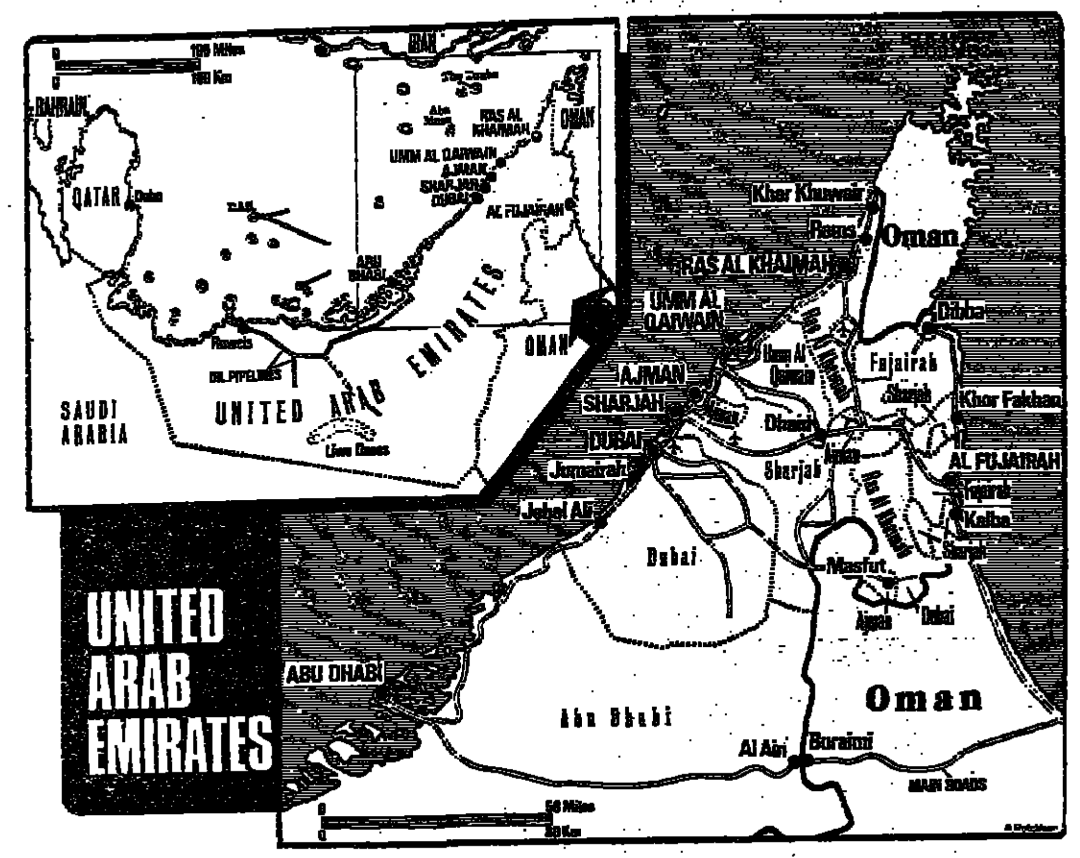


UNITED ARAB EMIRATES II

Disciplined growth is the aim for the eighties

ECONOMY

ROGER MATTHEWS



THE CREATION of a Central Bank in the UAE at the end of last year to replace the old Currency Board and the decision in principal by Abu Dhabi and Dubai to commit 50 per cent of their annual oil revenues to the federal budget are both indications of the economy's increasing complexity and the stated desire that growth during this decade should be more disciplined.

It is too early to assess the extent to which the lessons have been learned from the laissez-faire boom of 1973-77, but with the world suffering an excess of oil production and many of the Emirates' basic infrastructure projects close to completion there should now be the opportunity to look more calmly at the direction of the economy and also to seek solutions to the problems that have been thrown up.

The one sure prediction is that the Emirates will remain a hydrocarbons-based economy for the foreseeable future and that with a modicum of sensible management and an absence of serious political difficulties it will enjoy sustained growth. Despite the Opec agreement on a 10 per cent decline in oil production and a general softening of crude prices, the UAE earnings from this source are still likely to top $18bn this year, compared with $19.64bn in 1980 when the overall balance-of-payments surplus reached $4.9bn, roughly double the 1979 figure.

This was despite a continued strong increase in the value of imports, up by 20.6 per cent from $7.22bn in 1979 to $8.71bn last year. Officials predict that a rise in volume of imports of about 10 per cent can be anticipated during 1981 and this, combined with an increase in prices of between 12 per cent and 15 per cent, should result in a total imports bill in excess of $10bn. This would provide what is described at the Central Bank as "an investible cash surplus" of $2.5bn-$3bn this year. Despite the near impossibility of predicting future oil price movements, officials are working on the assumption that there is unlikely to be a significant decline in this figure for the next few years.

Diversification

However, much will depend on the level of capital outlays associated with the next stage of the Emirates' development. In common with other oil-based economies the UAE would like to diversify and has already moved towards the formation of an industrial base. Dubai initially led the way with the construction of two ports, a dry docks capable of handling tankers up to 100,000 tons, an aluminium plant and a gas processing facility.

Abu Dhabi's planned programme of oil-based industrial development is even more impressive and entails massive expenditure over the next few years. Apart from 120,000 b/d refinery at the new industrial centre of Ruwais which is now coming on stream and the onshore gas project which will gather and process the associated natural gas from the Bu Hassa, Asab, Bab and Sahil onshore fields, it is also committed to five other major projects. These are the expansion of the Umm al-Nar refinery, further expansion of the Ruwais refinery, a fertiliser plant, the Thamama "C" reservoir development and further work on natural gas treatment and transport.

Projects under planning or study include an addition to the gas liquefaction plant on Das Island, extra capacity for the fertiliser plant, a new onshore liquefied gas plant, a condensate and natural gas liquids plant, plus five other associated schemes.

In addition Ruwais will have to be provided with harbour facilities, housing and the whole range of infrastructure including a 90 megawatt steam power station and a 20,000 cu m a day desalination plant. Officials do not attempt to put a figure on the total investment required if all these plans come to fruition and if defence expenditure accelerates further, but it is fair to estimate that a capital outlay of at least $2-3bn a year for the next five to 12 years will be required, depending on the extent to which the regime can be persuaded of the necessity to press ahead.

Cautionary voices in Abu Dhabi are questioning the wisdom of pushing ahead too rapidly with some of these schemes because of the overall impact they will have on the economy. They fear another rapid increase in population which will further diminish the proportion of nationals, a sharp upward twist to inflation and worst of all a recurrence of the financial instability which marked the middle years of the last decade. Efforts are being made via the Central Bank to reduce the vulnerability of the banking sector and avoid a repetition of May, 1977 when the Janata Bank and the Ajman Arab Bank were forced temporarily to suspend operations.

Officials at the Central Bank believe that armed with new powers to monitor the performance of the banks and substantially increased financial resources it is in a far better position to help limit domestic credit expansion, to co-ordinate monetary and fiscal policies in order to combat inflation, and to maintain the stability of the dirham. However it has already warned about the dangers of inflation which it believes has shown an upward trend during the first four months of 1981.

Although there are no precise price indices in the UAE a combination of factors including import costs, construction activity, rents for housing and market observations have led officials to estimate that inflation during the past two years has been running at an annual rate of about 15 per cent. This compares favourably with the estimated 25 per cent during the period 1974-77. But latest indications are that inflation is again pushing towards 20 per cent and that it may be further fuelled by external factors and the large predicted increase in capital spending, especially by Abu Dhabi and through the federal budget which at about $7bn this year shows a 60 per cent increase over fiscal 1980.

Although the main reason for the increase in the federal budget is the politically welcome decision of Abu Dhabi and Dubai to contribute half of their oil revenues (no-one has revealed on what basis these calculations are supposed to be made) it is significant that the government is planning to commit over $500m this year towards subsidising nine basic commodities. This reflects the official anxiety over inflation and the impact that it is having on lower income groups particularly in the northern Emirates where discontent has begun to show itself in the form of strikes by government employees.

The decision to increase subsidies was taken against the advice of some officials who point to the experience of other countries where they have proved difficult to administer, liable to abuse and increasingly costly because of the political difficulty of weaning the public away from the expectation of relatively cheap foodstuffs.

In the longer term this trend towards larger federal budgets is going to impose heavier burdens on the still inadequate machinery of federal government where some expatriate economists are urging greater professionalism in assessing the viability of projects, in following up progress and in maintaining financial control. But given the immense authority that is retained by individual rulers they cannot be too confident of success.

Secret

The task of utilising effectively what is remaining from oil revenues after government costs, federal contributions and general aid payments is substantially that of the Abu Dhabi Investment Authority. Its senior staff emphasise that its activities are secret but it is widely believed that the Authority is currently managing funds in excess of $11.5bn.

The main criteria for investment decisions are that they should offer security and a reasonable yield. Officials have said that they are not interested in quick capital appreciation and tend not to move funds around at short notice. There has been some diversification out of dollar securities in the past three years with particular interest having been shown in Japanese and West German securities. Investments are usually made through financial institutions in the countries concerned and local fund managers are reported to be allowed full discretion because of the importance the Authority gives to building up confidence.

It is known that the Authority is a significant shareholder in several American airlines and also has holdings in banks and public utilities. Elsewhere it has moved into property, but officials say that its approach to this sector is likely to remain extremely cautious.

The Investment Authority also has two subsidiaries — the National Bank of Abu Dhabi in which it has a 67 per cent stake and the Abu Dhabi Investment Company of which it owns 70 per cent. The National Bank has grown rapidly over the past few years and has assets of approaching $4bn. The largest portion of these deposits come from the Investment Authority and from Adnoc, the national oil company. Its two main aims are to provide a channel for UAE nationals to invest abroad and to assist with loans for foreign companies, especially if they are operating within the Emirates.

Independent

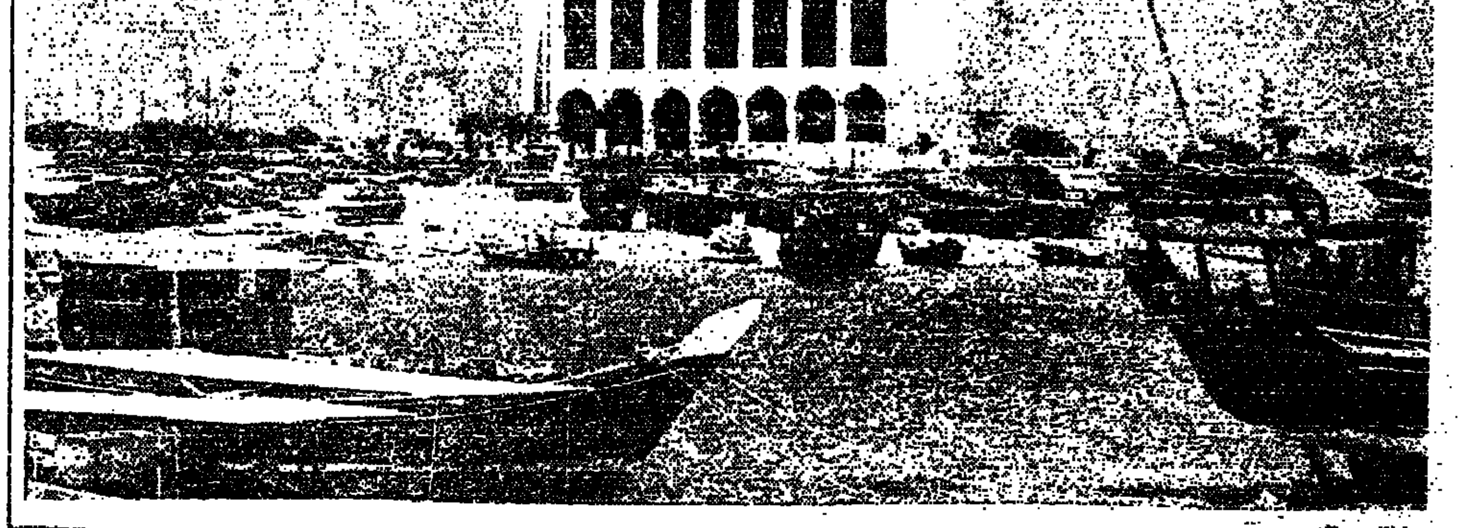
It has also been active in the Eurobonds market but not to the same extent as the Abu Dhabi Investment Company which also is the main UAE arm for financial operations within the Arab world. ADIC has either led or co-managed a number of important syndicated loans in Europe and operates with a large degree of independence from its parent organisation.

The relative skill and financial reticence usually shown in Abu Dhabi's foreign investment operations have been compared favourably with the rather more profligate attitude which it adopts to domestic expenditure and the apparent carelessness with which it embarks on new projects. This may to some extent reflect the nature of the advice the government is receiving from different national groups working in the different sectors of the economy and emphasises the urgent need to bring well trained local staff into positions of greater responsibility.

The Central Bank has summed up the prospects for the UAE economy over the next three years with a mixture of optimism and caution. It suggests that the expansion of oil revenues, the rising level of imports and the increase of investments in oil-related projects point to a continued real growth in the medium and long term. But it warns again about inflation, unsettling trends in international market conditions and the possible impact that the UAE's own decisions to boost development and defence spending may have. "The business community expects liberalisation of credit and better profits," it concludes its annual report. "Under the circumstances it should be the endeavour of the government's fiscal policy and the Central Bank's credit policy that financial trends do not get out of hand during 1981-83. Otherwise, the medium and long term growth prospects could be affected."

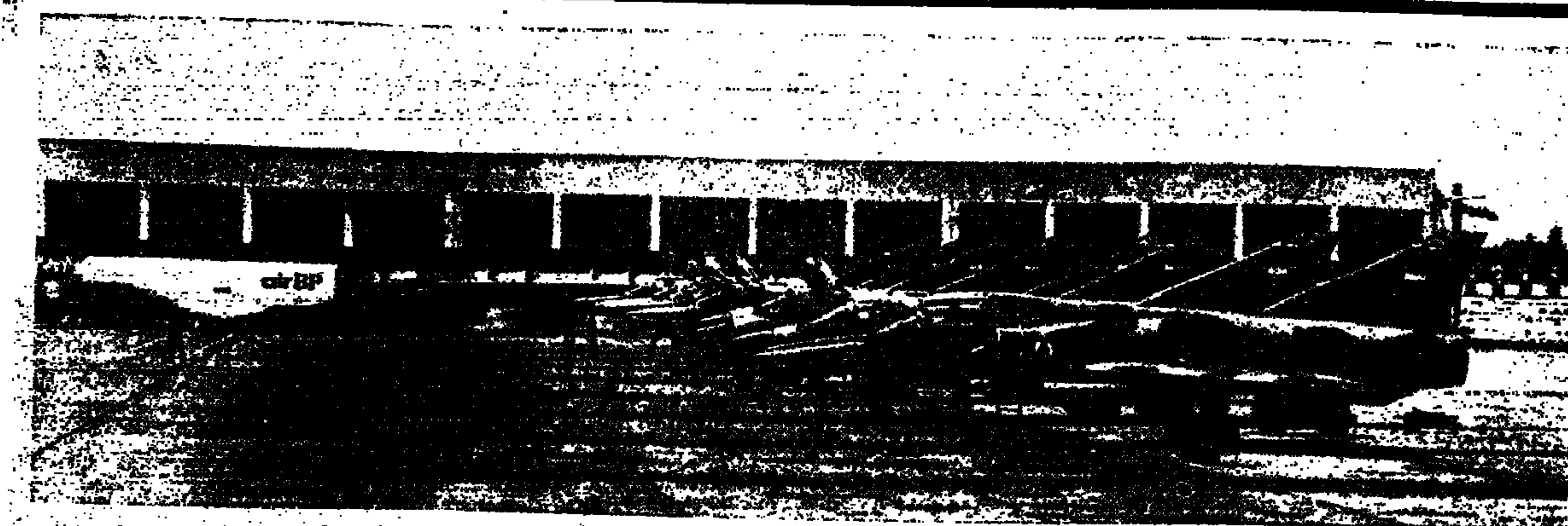
BASIC STATISTICS

Area	82,880 sq km
Population	1.04m
GDP (1987)	Dh 53.4bn
Per capita (1978	Dh 75,105
Trade (1980)	
Exports	$20.172bn
Imports	$8.57bn
Trade with UK Exports to UK	£485.9m
Imports from UK	£501.9m
Balance on current account (1980 est)	$6.656bn
Oil exports (1980)	$19.378bn
Oil production (May 1981)	1.71m b/d
Gas exports (1980 est)	$350m
Foreign exchange res. (March 1981)	$2.176bn
Currency	£1 = 7.18 Dirhams; $1 = 3.6728 Dirhams



Terry Kirk

The Central Bank in Abu Dhabi was built by Costain International



Mirage fighters lined up at Abu Dhabi Airport

Reluctant player on world stage

FOREIGN POLICY

ROGER MATTHEWS

THE United Arab Emirates would very much like to be left alone to enjoy the fruits of its oil wealth and come to terms with the massive social adjustments that this entails. Instead, it finds itself thrust into the centre of world attention, visited by European heads of state who 10 years ago scarcely knew where it was on the map, discussed by Western military experts in terms of a Rapid Deployment Force, and in danger of becoming a reluctant participant in regional and global issues of which it sometimes admits to having only partial appreciation.

The pace of the change has been almost as alarming as its extent, especially during the past nine months when the war between Iraq and Iran threatened to have wider repercussions for overall Gulf security and therefore its economic well-being.

During the early days of the war this danger took more tangible form when Iranian Phantom fighter bombers penetrated UAE airspace and President Saddam Hussein of Iraq sought to widen the conflict into a Pan-Arab campaign against the traditional Persian enemy. This raised two possibilities. First of a pre-emptive Iranian strike against perhaps an oil installation on the other side of the Gulf to warn Arab nations against giving Iraq anything more than verbal support. And second, the warning noises emanating from both combatants about control of the vital Strait of Hormuz at the mouth of the Gulf highlighted just how vulnerable the oil supply routes could be.

The Arab League summit meeting held in Amman two months later provided the venue for these fears to be aired and they resulted in the first tentative steps being taken towards the formation of what is now the Gulf Co-operation Council. President Zayed of the UAE gave enthusiastic support to the idea of the council and it was in part recognition of this and the central role that the Emirates wished to play that the article of association were signed at the first summit meeting of the six member states held in Abu Dhabi last month.

Effective

In foreign policy terms the council is to a large extent the formalisation of an already existing situation. The Emirates traditionally looked to Saudi Arabia for foreign policy guidance as individually it had neither the military strength nor the oil output to carry much weight internationally. However as part of the Gulf Co-operation Council the Emirates believe that its views can be put forward more effectively and will to some extent relieve it of the need always to provide individual representation.

This is particularly pertinent in regard to relations with the United States. While President Carter was in the White House, and attention in the Middle East was principally focused on moves towards a solution of the Arab-Israel conflict, there was at most only a small and supportive role to be played by the UAE. However the election of President Reagan and the sharp switch in American priorities which has brought Gulf security to the forefront is a matter of far more intimate concern.

There is undoubtedly resentment in Abu Dhabi and Dubai that the U.S., which has paid far less attention to the Emirates than the Western European nations, should now be urging them to accept policies with only a minimum of consultation and to which it should be known in Washington they are fundamentally opposed.

The Reagan Administration has identified growing Soviet encroachment as the major threat to stability in the Middle East and argues that only when the conservative oil producers of the Gulf feel more secure will the region be able to turn its mind effectively to the solution of other issues such as those surrounding Israel and the Palestinians.

Little support

To make these countries more secure, Washington is seeking military facilities and an agreement to pre-position equipment for its Rapid Deployment Force which is designed to protect those countries against external threats. Mr. Alexander Haig the Secretary of State, found little support during his first visit to Saudi Arabia for this so-called "strategic consensus" and the Gulf Co-operation Council has been even more publicly outspoken in its opposition.

Sheikh Zayed said after the summit that the Gulf countries "have no need whatsoever for foreign protection. They are able to protect themselves through their own solidarity and with the help and solidarity of other Arab countries since we are all part of the same nation." Instead of seeking a military presence in the Gulf, Sheikh Zayed asked the United States to adopt an even-handed policy in the Middle East to find a comprehensive solution to the Palestinian question.

"What we want from the United States, as a matter of principle, is not that it should side with the Arabs," he said. "But its policies should be balanced, even if that balance hurts us a bit. What we want is justice, because that is in the interests of the entire world and indeed in the best interests of the United States itself."

The more potent reasons for rejecting American overtures are not voiced publicly. The UAE rulers suspect that any form of American military presence on their soil would be viewed by at least part of the population as a tacit admission of fear or weakness. In such a paternalistic society it would be intolerable for the ruler to indicate that he was unsure of his position because this in turn could give encouragement to dissident elements. As was seen all too clearly just across the Gulf in Iran, a large American presence provides in itself a focus for opposition.

UAE officials are also suspicious of American motives. They suspect that both the desire for bases and the construction of a Rapid Deployment Force is not designed to protect their regime but to secure the oilfields and production facilities.

"From first to last this is an American device to serve their own self-interest," commented one official. "After the Iranian experience the Americans know there is little they can do to save even their best allies. So they have decided just to concentrate on one aspect in future —and in our case that means simply oil."

The UAE is also concerned about its own standing within the Arab world. It has been at pains to stress that the Gulf Co-operation Council is a "tributary flowing into the main Arab river" and should not be seen as a separate organisation comprised of the most affluent countries. However, the need for a Gulf Co-operation Council has been emphasised from the UAE's point of view by the damaging divisions within the Arab world which sprang from the visit of Egypt's President Sadat to Jerusalem. Although the UAE has gone along with the Arab boycott of Egypt it was done more in sorrow than anger and there is little doubt that a reconciliation would be warmly welcomed in Abu Dhabi.

"We look at Egypt as an Arab country which will one day return to the Arab fold," Sheikh Zayed said recently. "President Sadat is human and it is only human to err. Those who make mistakes should rectify them and should compensate for the losses which they have caused. When that happens, Egypt will be welcomed back again."

Certainly it is felt in Abu Dhabi that the Arab unity from which the UAE essentially looks for its security can never be restored until there is a reconciliation. Equally it believes that many of the problems that have assailed the region stem directly from the Egyptian-Israeli peace treaty.

Without the vacuum in Arab leadership caused by Egypt's ejection from the Arab League it is thought that President Saddam Hussein might have acted with greater restraint in his struggle against the revolutionary regime in Iran, that Syria would not have become so dangerously isolated, and that Israel would not be able to attack the Palestinians and violate Lebanese sovereignty with quite the same impunity as it does today.

It is the possibility that these conflicts will contribute to a growing radicalisation within the Middle East rather than the risk of the UAE being drawn in to actual hostilities that causes the most concern in Abu Dhabi.

The Emirates have, for example, taken a very moderate line on the three Gulf islands—the Greater and Lesser Tumbs and Abu Musa—which were seized from them by the late Shah of Iran in 1971. Sheikh Zayed repeated last month that "the islands are ours, the property of the Arab nation and the United Arab Emirates." But he went on to emphasise that although the UAE could not abandon its rights" we will seek to regain them by brotherly and friendly means."

Rejection

The UAE President was thus implicitly rejecting one of the conditions initially laid down by Iraq for agreeing to withdraw its troops from Iran. It has done so within the context of what it describes as "our yearning for peace between a brotherly Arab country and a brotherly Moslem country which are also our neighbours."

The depth of UAE concern about overall security in the region will be tested within the Gulf Co-operation Council where concessions will have to be made if the organisation is not to go the way of most other Arab attempts at greater unity. The member states have insisted that the co-operation they envisage does not imply any loss of individual sovereignty, but it must entail some diminution of their freedom of action and, on occasion, their own narrow self interest.

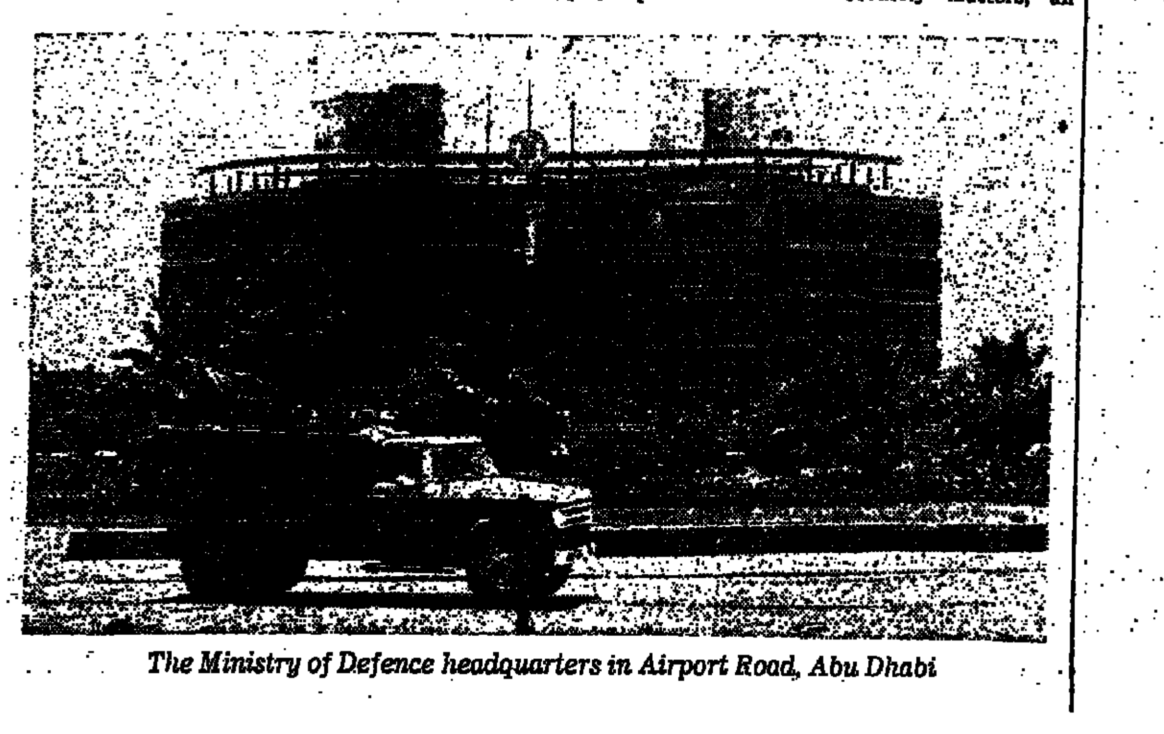
Initially the members are aiming to co-ordinate economic development and to replace a series of bilateral arrangements with a single comprehensive agreement. At the same time they will be trying to sort out long-standing border disputes and set up a conciliation committee. But perhaps most testingly they are going to look into ways of co-operating on internal security matters, an area of mutual interest which has been of more pressing concern since the traumatic Saudi experience when the Grand Mosque was seized in Mecca.

Only if there is solid progress in this direction can there be much hope of the six countries getting together militarily and it was in recognition of this that Oman's proposal for a $2bn naval task force to guard the Strait of Hormuz was noted but not discussed at length during the Abu Dhabi summit.

The UAE recognises the importance of keeping Oman within the framework of the council and some officials believe they can sense some slight shift in Sultan Qaboos's strongly pro-American stance. However no one is in any doubt that the benefits of membership have to be made more visible to Oman than to any of the other participants and Sultan Qaboos may expect to benefit significantly from the development fund which is being established.

The experience of the UAE during the past 10 years may be of particular relevance to the council. It has demonstrated that it is possible to bring together highly individualistic rulers and achieve a degree of harmony, especially when the wealthier are willing to contribute towards the development of the less economically fortunate. One of the reasons for the relative political success of the UAE has been the contribution that Abu Dhabi has made to the poorer northern Emirates.

But knowing also how much further the Emirates have to travel before the UAE is fully integrated provides a yardstick against which to set the ambitions of the Gulf Co-operation Council. The UAE is therefore emphasising the need for careful groundwork and realisable targets rather than grandiose aims. In that way it hopes that the Gulf states can together meet the still more serious challenges that lie ahead.



The Ministry of Defence headquarters in Airport Road, Abu Dhabi

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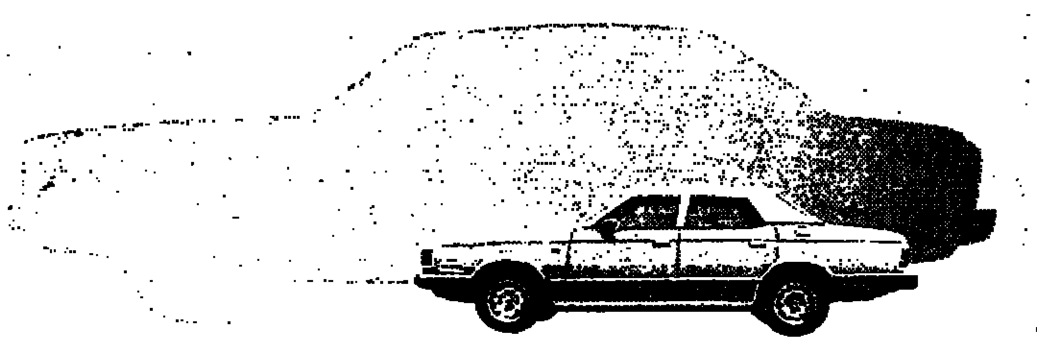

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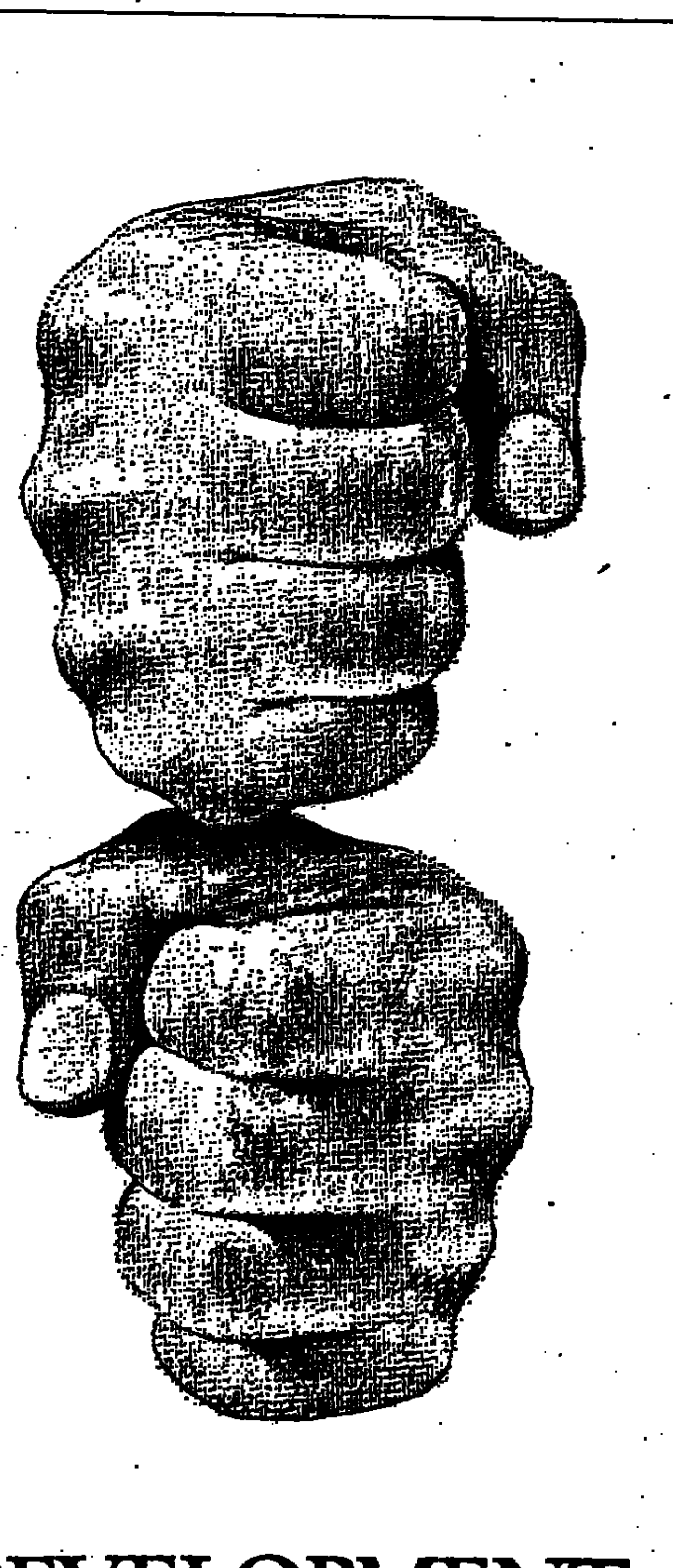

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Production cut leaves Abu Dhabi still flush with cash

OIL AND GAS

ROGER MATTHEWS

THE DILEMMA in the United Arab Emirates over oil output levels has been at least partially resolved by the international fall in demand caused by the worldwide recession and by consequent decisions taken at the last meeting of Opec members in Vienna.

After the meeting, Dr Mana al-Otaiba, the UAE Minister of Petroleum and Mineral Resources, said that Abu Dhabi was to make a cut of about 175,000 barrels a day in the permitted production ceiling for its onshore and offshore fields. Dr Otaiba said that this 14 per cent reduction, which was due to take effect from June 1, had already been under consideration as part of Abu Dhabi's regular review of production levels. He also indicated that for the remainder of this year it was unlikely that the UAE would want to reduce production further.

The cutback has been set at 125,000 b/d from the previous onshore and offshore levels plus the abolition of the 50,000 b/d exceptional war relief supplies which had been introduced following the halt in production by Iraq and Iran last autumn. The 50,000 barrels had been taken by French companies.

This suggests that the maximum allowed level of liftings in Abu Dhabi for the second half of 1981 will be around 1.245m b/d *although there are indications* that production was already below this level well before the Opec meeting and Dr Otaiba's announcement. There is no clear indication yet whether Dubai, which last year produced an average of 349,274 b/d will also impose a cut of 10-14 per cent, while there is little scope for Sharjah to take any action on its tiny 10,000 b/d.

Complicated

The Dubai assessment will rest on rather more complicated factors as the Government there will have to take into account not only its own depleting reserves, but also its capital expenditure programme and the degree to which it stands to benefit from the enlarged federal budget to which it is now supposed to be contributing 50 per cent of its oil revenues.

Abu Dhabi has far greater freedom of action. It has benefited enormously from the successive price rises. Total UAE export revenue last year rose to over $19bn compared with $12.5bn in 1979. This was despite a fall in the volume of exports from 1.82m b/d in 1979 to 1.71m b/d in 1980. Its overall balance of payments surplus last year was close to $5bn and thus the drop in output of about 14 per cent *is likely to affect only* the surplus which Abu Dhabi has for external investment. It need not in any way slow down the Emirates' development programme.

Although traditionally Abu Dhabi has worked closely with Saudi Arabia on pricing and has sought to co-ordinate policies within Opec, it has on occasions displayed a rather more hawkish approach. The UAE was the last of the Opec countries to announce its 1981 prices and then opted for a $3 a barrel increase which was a compromise between Saudi Arabia's $2 and the $4 a barrel extra charged by other Gulf producers such as Kuwait, Iraq and Qatar.

Dr Otaiba claimed that in principle he was in favour of the $32 a barrel marker price set by the Saudis and was opposed to the deemed marker *level of* $35 a barrel set by the UAE. "But it is difficult to stay behind when everybody else moves," he said.

However, Dr Otaiba did correctly predict that several producers would be forced to *abandon the additional* premiums they had been charging and insisted that Abu Dhabi had never sought to impose extra charges above the official price. Companies which have in the past purchased from Abu Dhabi report however that there are other ways of making extra charges without formally imposing a premium.

Officially, Abu Dhabi is strongly in favour of maintaining *a price freeze for the rest* of this year and argued for this at the Vienna Opec meeting.

If at times there seems some hesitation about the direction of oil policy in Abu Dhabi this is probably a reflection of the extent to which the Ruler has to rely on advice from non-nationals and to the sometimes uneasy relationship between the major oil companies and the senior executives of the Abu Dhabi *National Oil Company* (Adnoc) which has a 60 per cent equity participation in almost all oil operations.

Mr Mahmoud Hamra Krouha, the Algerian chief executive of Adnoc, has not hesitated to be publicly critical of the oil companies and has pushed hard for what is officially described as "the process of bringing the country's oil policy firmly under the control of the government." The vehicle for *bringing this* about is Adnoc which has increased its own grip on the oil industry in Abu Dhabi and this in turn has led to its most senior staff having a greater say in the overall development of the economy.

There are two main operating companies: the Abu Dhabi Company for Onshore Operation (ADCO) *in which Adnoc has* 60 per cent, Shell, CFP, BP, the Near East Development Corporation (Exxon and Mobil) with 9.5 per cent each and Partex with 2 per cent: and the Abu Dhabi Marine Areas Operating Company (ADMA-OPCO) in which Adnoc also has 60 per cent, BP 14.7 per cent, CFP 13.3 per cent and the Japan Oil Development Company (JODCO) 12 per cent.

Official government literature reflects the views of senior Adnoc staff that historically the international oil companies "have displayed little interest in the discovery of new reserves or in the necessity of keeping the oil wealth for the future. The operating companies have shown a willingness to exploit the major fields to full capacity for their own short-term ends."

This argument is rejected by the oil companies and indeed much of the dispute, which Adnoc with its controlling interest is now winning, stems from the different approach to oil recovery techniques that have developed between Western nations and the Soviet Union. Essentially it centres on the timing and cost of water injection procedures that are used to maintain pressure in individual fields and can help to determine the life and total recoverable reserves of particular deposits.

The Soviet philosophy, which sometimes can be seen in Algerian attitudes, is to begin water injection at the outset of *the development of a field* to maintain pressure at the original level. This is necessarily more costly in terms of early investment and the number of wells which have to be drilled, than the Western approach where pressure is allowed to dip before water is pumped in at the side of the field.

The argument has particular relevance to the larger offshore Upper Zakum field which overlies the Lower Zakum field of ADMA-OPCO. It is being developed by the Zakum Development Company (ZADCO) in which Adnoc-JODCO has 50 per cent and CFP of France the remainder. By 1983 it is estimated that output from the field could reach 500,000 b/d, although of course this is dependent on government policies at the time.

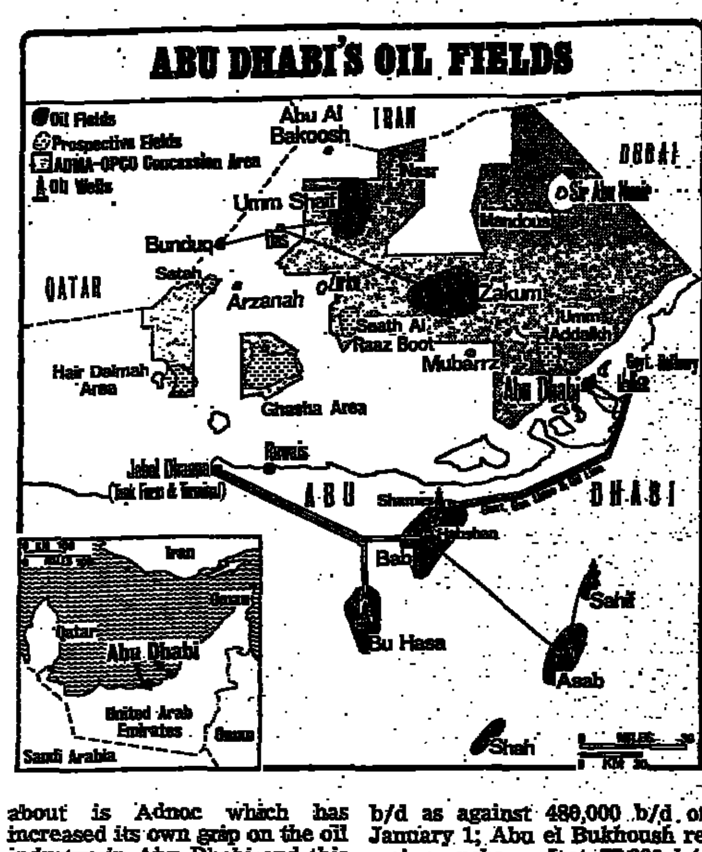
Complex structure

Some oil industry experts believe that because of the complexity of the Upper Zakum structure, its relatively low pressure, the anticipated improvement in recovery techniques and the UAE's currently plentiful supply position, it would make a great deal of sense not to push ahead too rapidly with its development.

Apart from the long-established Lower Zakum and Umm Shaif fields, development is also progressing on a number of smaller offshore deposits. Amerada Hess has brought on stream the Arzanah field and is working on a new water injection scheme which is scheduled to raise production significantly about the initial 15,000 b/d; the Umm al Dalkh field should come on stream sometime next year, and an output figure of 40,000 b/d is expected in 1984 from the three other small fields of Satah, Qarnain and Dalma. Development work is also continuing on the fields at Mubarraz, Abu el Bukhoush, and Bunduq (shared 50-50 with Qatar).

Onshore, the bulk of production, despite some cutbacks, comes from the Bu Hasa and Asab fields with smaller contributions from Bab and Sahil.

Government sources say that the new schedule of permitted production levels which were introduced on June 1 are: onshore (Adco) 540,000 b/d compared with 600,000 b/d on January 1; offshore (ADMA-OPCO), 415,000 b/d as against 480,000 b/d on January 1; Abu el Bukhoush remains unchanged at 75,000 b/d as does Arzanah at 20,000 b/d and ADOCO (the Japanese-run Mubarraz field) also at 20,000 b/d. The 50,000 b/d of war relief crude which came from the offshore fields is eliminated.



Past their peak

In Dubai, production last year averaged 349,274 b/d, a drop of about 5,000 b/d from 1979. The four offshore oilfields which are operated by the Dubai Petroleum Company (DPC), a wholly owned subsidiary of Conoco, are past their peak production levels and although drilling work continues the hopes of significant new discoveries are very *limited. The concession is half* owned by Dubai Marine Areas (50-50 Hispanoil and CFP) and the rest is divided between DPC (30 per cent), Deutsche Texaco (10 per cent), Delfzee Dubai Petroleum (5 per cent) and Dubai Sun Oil (5 per cent).

The first field to be discovered, Fateh, is now 12 years old and production from there last year averaged 149,047 b/d. Southwest Fateh which is three years younger, averaged 188,631 b/d. The tiny Rashid field which was discovered in 1973 but only started producing six years later contributed an average of 2,433 b/d while the remainder of 9,163 b/d came from the Falah field. Dubai has rather higher hopes of discovering further commercial quantities of gas, in part as a result of the deep test well Fateh-I drilled last summer. The viability of the find is still being assessed.

Once again however Dubai's discoveries have been eclipsed by those of Abu Dhabi. Dr Otaiba has recently announced another large non-associated gas discovery, this time following a deep well which was drilled to test formations under the offshore Zakum field.

The initial decisions by Abu Dhabi to exploit its gas reserves was based on the desire to establish an industrial base, for which the gas would provide *the feedstock, and also to halt* the wasteful flaring of gas which was produced in association with oil. However, the size of Abu Dhabi's reserves indicates that the emirate has enormous potential for exports.

Apart from Abu Dhabi and Dubai, the most promising news of fresh discoveries came last December from Sharjah when Amoco announced its Shaja'a One well had tested at flow rates of 4,650 b/d of oil and 50m cubic feet of gas a day. It is now expected that the new field will come on stream in the latter part of 1982 when it should be producing an average 80,000 b/d and 800m cubic feet of gas.

Further drilling is taking place and the discovery has also raised hopes among the other northern Emirates where most activity has centred on Ras al-Khaimah. Umm al-Qawain also has reason to hope that the Sharjah structure extends under its territory. But even on the most optimistic assumptions of the northern Emirates there is no doubt that Abu Dhabi will *continue to dominate* the UAE oil industry and its share of total production is likely to remain around 80 per cent or above.

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National plan leaves power still with local rulers

PLANNING

KATHLEEN EVANS

"WITH ALL that money we could have created Utopia" is a frequently heard comment in the UAE. Perhaps such a forlorn cry is an encouraging sign of the growing realisation that all the pell-mell development and the "money rush" of the last 10 years has brought a heavy social and environmental cost to the country. Only now is it sinking in that splendid new airports may not entirely compensate for a rising crime rate or being a minority in your own country.

The signs of unplanned development can be seen everywhere—in the number of airports, ports, hotels, newspapers, television stations. Even Umm al Quiwain has its own radio station. On a more mundane level, it can be seen in the odorous black puddles which lie at the foot of Abu Dhabi skyscrapers; only now is the main line sewerage system being installed and near completion.

In many ways duplication is symptomatic of the system of seven ruling sheikhs. Each ruler wanted to be seen to be providing the most prestigious projects for his people. And while the projects were under way they provided substantial income for local contractors and nationals acting as sponsors for foreign companies.

In Abu Dhabi, the ball is still rolling. In the defence and oil sectors alone, huge projects continue running into billions of dollars. But an imbalance of activity, and therefore wealth, has developed between the capital and the Northern Emirates.

The UAE is shortly expected to approve its first national plan, but sadly it has no teeth.

The political reality remains that local rulers are largely free of central government dictates within their own emirates. Nevertheless, Cabinet approval and publication in the Press will, it is hoped, impose some obligation to follow its recommendations. Its authors are hoping that above all their report will be read and discussed, and thus public opinion will become a factor in the prospect of its implementation by the authorities.

At the moment, officials do not know just how many of their detailed figures will end up in the plan because its major preoccupation is the sensitive issue of population. UAE nationals represent only a quarter of the total number of residents in the country and if development is allowed to continue without restraint future figures will look "very unpleasant" says the Planning Minister, Mr Said Ghorbash.

"It is the main issue of the plan . . . and the most critical issue for this country. We are trying to be realistic and moderate. We are not asking for the population to drop from over a million to say 750,000, but what we want, and must do, is contain the population. The next plan could aim to decrease the population."

The population issue, the minister feels, could soon begin to affect the very heart of the UAE economy—its oil production. "If the population grows further then the requirement for investment grows even higher. While we try to stabilise production, we might not be free to do so because we will have to pay for all the services of a large population."

This modest first five year plan sets out to keep the poplation at its present figure while the economy continues to grow.

Training

"We have changed priorities," commented one official. "We have put population in the front seat and the economy in the back seat. But the car will still move forward." That is something the merchant community in the UAE will have to be thoroughly convinced about because in the past it has tended to view any attempt at population restraint as a threat to the market and thus its business success. However, the plan calls for improved training for nationals at all levels, and estimates that the construction sector, which accounts for a large part of the imported labour, will decrease in importance over the next five years.

The compound growth rate of GDP during 1976-80 was 16 per cent, but when inflation was taken into account, in real terms it worked out at 7 per cent. Moreover, this increase must be looked at in the light that the population grew by 13 per cent annually during that period

Investment envisaged in the plan is $50bn as against an estimated $38bn in the last five years. Of this some $8bn is expected to come from the private sector. Adnoc alone has said it will be spending over $10bn although officials believe it may end up at around $14bn. The petrochemical sector will show a 30 per cent growth during the period as new plants are completed and come into operation, while non-oil based industries are expected to grow by 18 per cent a year.

The industrial workforce will grow by 25,000 while that of the construction sector is expected to shrink by some 50,000 workers.

Diversification away from oil is one of the priorities of the plan, though officials say that not all parts of industry will be necessarily thought of as mere profit earners. They particularly quote the example of agriculture. Food security is one of the plan's ambitions with the aim of building up a six month stockpile and then moving towards self sufficiency. The plan outlines a programme of silo building in mountain areas.

On light industry, the plan advocates capital intensive ventures which yield high value per worker such as a plastic pipes factory where technology can cut down the labour content.

Above all the plan will be a "nation building plan" its author says. "The money base is clearly established and now is the time to create a life of quality, a cultural and national identity." More attention will thus be focused on repairing environmental damage and avoiding unnecessary injury to the society and its surroundings in the future. In the realm of social welfare a 50 per cent increase of medical facilities is expected over the next five years and a continued expansion of education services. Some 36,000 new houses are planned for UAE nationals during the period with the object of giving every national a free house; if not two.

Correcting the imbalance in wealth which has grown up between the capital and the Northern Emirates is going to be a slow and difficult exercise. Ministry officials feel that this can only really be done by long term upgrading in the skills of citizens of the Northern Emirates. An official said: "You can redistribute investment and put some factories up there but at the moment the likelihood is that it will be foreigners who get the new jobs." However such cosmetic injections of funds and work may become a political necessity so that the imbalance does not grow over the next few years.

Meanwhile Abu Dhabi is drawing up a master plan up to the year 2000 to cope with the city's rapid growth in population, which could by that time total around one million people. The capital has 400,000 residents, 300,000 of whom are squashed onto the main island. One of the ways this island is coping with its growth rate is through land reclamation. The reclamation policy is to be continued with the siting of two new city areas on the islands of Sadiyat and Hadriyat.

Dredging

Mr Azme abu Talib, the city's town planner for the past 12 years, says that by 1990 these islands will house more than 100,000 people and will be designed as distinct self-contained communities for UAE nationals. A large part of the investment is expected to come from the Government, although the private sector is also expected to participate.

A vast programme of dredging is underway at Hadriyat, which at the moment is little more than a sandbank, and each new area will be linked to the main Abu Dhabi island by bridges. "Sadiyat and Hadriyat will be designed to cope with the new generation of nationals and will hopefully lessen the load in the main part of the city."

To the south of the city towards the Dubai road yet another island, Samalia, is to be developed as a luxury leisure island with playgrounds, parks, small motels and perhaps a Disneyland. The whole project is being put out to an international competition.

After the oil come the problems

INDUSTRY

BRIAN GROOM

WHEN ABU DHABI's new refinery at Ruweis received its first delivery of crude at the end of last month, it represented something quite as remarkable to a once poor and peripheral people as all the other wonders that oil has brought. It marked the coming to life of a petro-industrial city, originally envisaged as housing up to 80,000 people by 1990.

Those original plans have been considerably reduced, however; officials still talk of as many as 50,000 inhabitants, but in the next century. Local planners realised that Abu Dhabi citizens would be beholders of their creation rather than participants in it; its too rapid growth would bring yet more foreigners into a country where they already represent a potentially dangerous 75 per cent of the population.

Industry is a problem in the UAE, though the authorities rarely admit it. The impulse to industrialise is sensible in so far as it might move the country towards a diversified economy, reduce its dependence on the developed world, and provide profitable investment opportunities for surplus oil revenues. But in addition to the serious labour problem, the UAE lacks both a substantial local market and raw materials other than oil and gas.

The emphasis, therefore, is on import substitution and on projects which do not themselves require large imports of labour and raw materials—principally, in Abu Dhabi's case, industries both capital-intensive and hydrocarbon-based. The Abu Dhabi National Oil Company (Adnoc), which is responsible for the development of oil- and gas-based industry in the emirate, is especially keen on using gas once wastefully flared. But while ready energy supplies provide a considerable advantage over many developed nations, industries based on oil and gas are hardly insurance against the day those commodities run out.

Consequently there are voices arguing quietly that Abu Dhabi should cut oil output to the level needed to pay its bills and thus conserve reserves; alternatively, surplus oil earnings should be invested profitably abroad instead of in industry at home, which merely increases the immigrant population.

Industry in the Federation has, in spite of the difficulties, grown steadily. Finance for some major projects has been raised on the international capital markets, but bank loans to residents for manufacturing rose from 4.8 per cent of all UAE bank lending in December 1978 to 6.72 per cent by December 1980, and are since believed to have risen further.

Eyes, however, are on the authorities to see what priority is given to industry as the infrastructural phase of the country's development nears its end. "These people are very confused about where they are going," one banker said. Some observers believed that the proposed 1981-85 federal plan will aim at raising industry's share of GDP substantially from its estimated 5.5 per cent in 1979, but it is difficult to see a federal plan having much bearing on activities which are very much the preserve of individual emirates. The UAE has suffered from lack of co-ordination and duplication of projects.

Expansion

Back at Ruweis, the $550m, 120,000 barrel-a-day refinery which is now coming into operation is to have its capacity expanded to 300,000 b/d and a decision has been taken in principle to build a hydrocracker to improve the quality of products and get a better price for them.

Meanwhile, the centrepiece of the industrial city, a $2bn natural gas liquids plant, is being tested and will come on stream shortly Adnoc and Compagnie Francaise des Petroles have a joint venture for a $200m fertiliser plant, now being built, which will produce 1,000 tonnes a day of ammonia and 1,500 t/d of urea; it is scheduled to come into operation in mid-1983, and could be expanded.

A bulk cargo handling terminal is to go with the fertiliser plant, while other infrastructural work includes an upgraded airport and housing units, power, water and communications equivalent to that which would normally service a town of 10,000.

For the future Adnoc has studied a number of possible petrochemical projects, including aromatics, asphalt and lubricants ventures, but has so far considered an entry into the field uneconomic and is keeping a careful eye on the experience of Gulf neighbours.

Abu Dhabi's non-oil industry is controlled by the General Industry Corporation, which runs a few plants of its own and acts as a licensing authority. Critics accuse the GIC of duplicating facilities elsewhere in the UAE, but the corporation rejects the criticism: it argues that its paper bag plant, for instance, which competes with a similar factory in Sharjah, gets sufficient business from the GIC's cement plant and from Qatar, Saudi Arabia, Kuwait and Ras al Khaimah.

The corporation aims at ventures which need few imports of raw materials, having had its fingers burnt by a steel rolling mill which closed as uneconomic last year. Future projects include a possible steel reduction plant and a spiral welding pipe factory, and there are definite plans for a ship repair yard which will, however, compete with facilities in Ajman and Dubai.

The private sector has some light industry in the Musafah area, but the difficulties of operating profitably, even with cheap power, water and land, mean that businessmen have concentrated on trading. If tariffs were proposed to protect industries, as some in the UAE would like, the importers' lobby against them would be strong throughout the federation. (Protection may come in the form of an industrial bank.)

However, there are many in Abu Dhabi who would like to see the GIC's activities left to the private sector, and a group of businessmen recently proposed to the Government that investors be allowed shares in the heavy ventures.

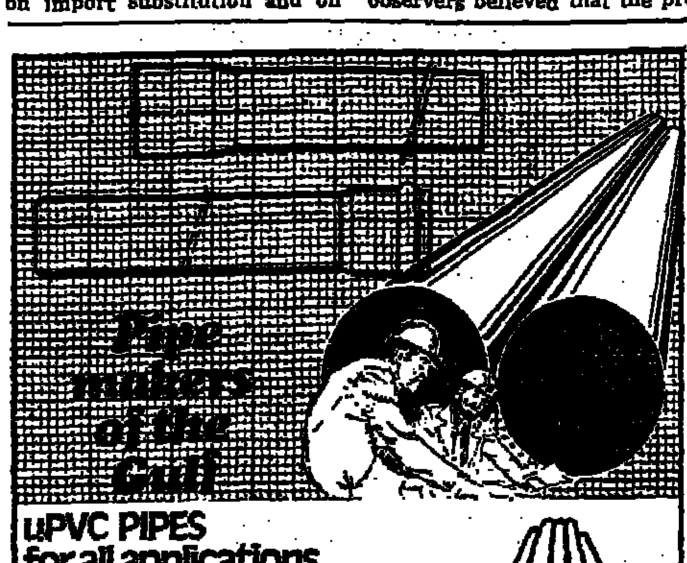
Dubai's ruler, Sheikh Rashid, has established a huge $1.6bn port and an industrial zone at Jebel Ali, and has set up some large ventures of his own. While these are state-owned by definition because there is no dividing line between the emirate's finances and the ruler's, they are—in contrast to Abu Dhabi's governmental approach—very much the ventures of an entrepreneur. The private sector itself is active in a range of light industries.

The massive city originally envisaged for Jebel Ali has not yet emerged, however. It may take either an initiative by Sheikh Rashid or further development within the industrial zone to give a new impetus: so far the zone has manufacturers such as the $1.4bn Dubai Aluminium (Dubal) smelter, an aluminium extrusion plant, the Dugas LPG plant, a gas bottling plant and a steel fabricator. Some industries ordered out of Dubai Creek after a recent fire will go to Jebel Ali, but that would not represent overall expansion.

Dubal is concluding new offtake agreements with the UK's Alcan, Southwire of the U.S., and Japan's Nissho-Iwai, in place of former agreements. They will account for half of output for a stipulated period only, but are renewable. Dubal's high purity metal has been sold on the world market and is believed to have consistently outperformed spot prices.

Another major Dubai project, the million-tonne dry dock, has lain unused since it was virtually finished 18 months ago. Now it may be handed over to the Organisation of Arab Petroleum Exporting Countries, which already owns the Asry dock in Bahrain.

Further north the UAE's main non-hydrocarbon resource is provided by the mountains in Ras al Khaimah, which yield the finest aggregate in the Gulf and have spawned quarries and cement works.



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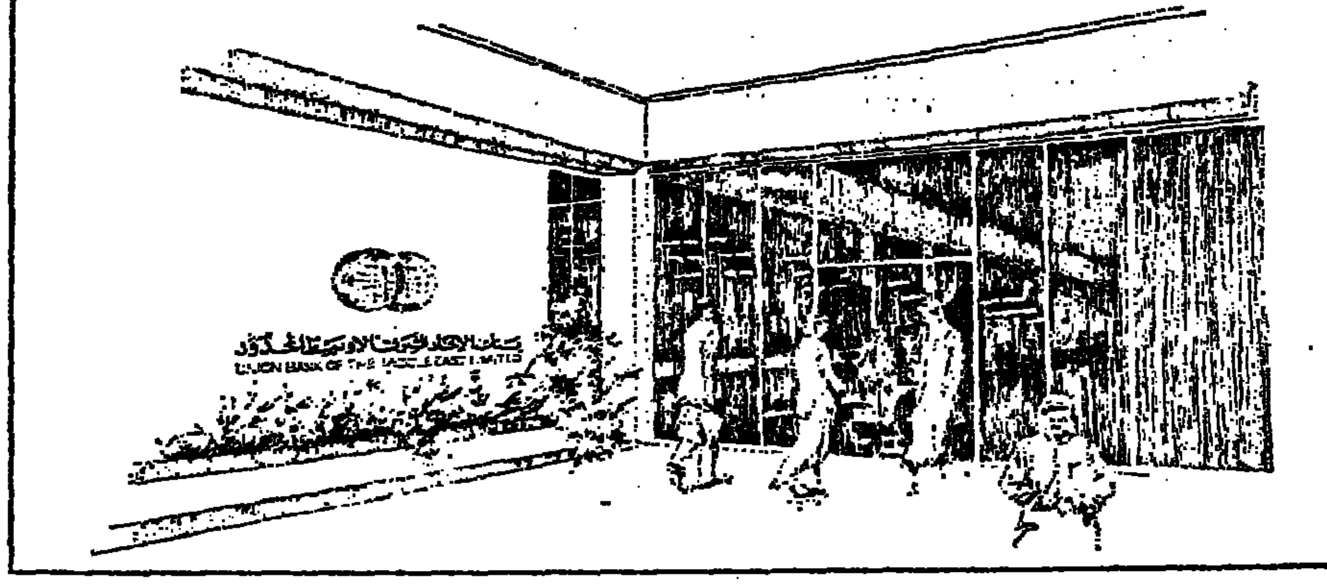

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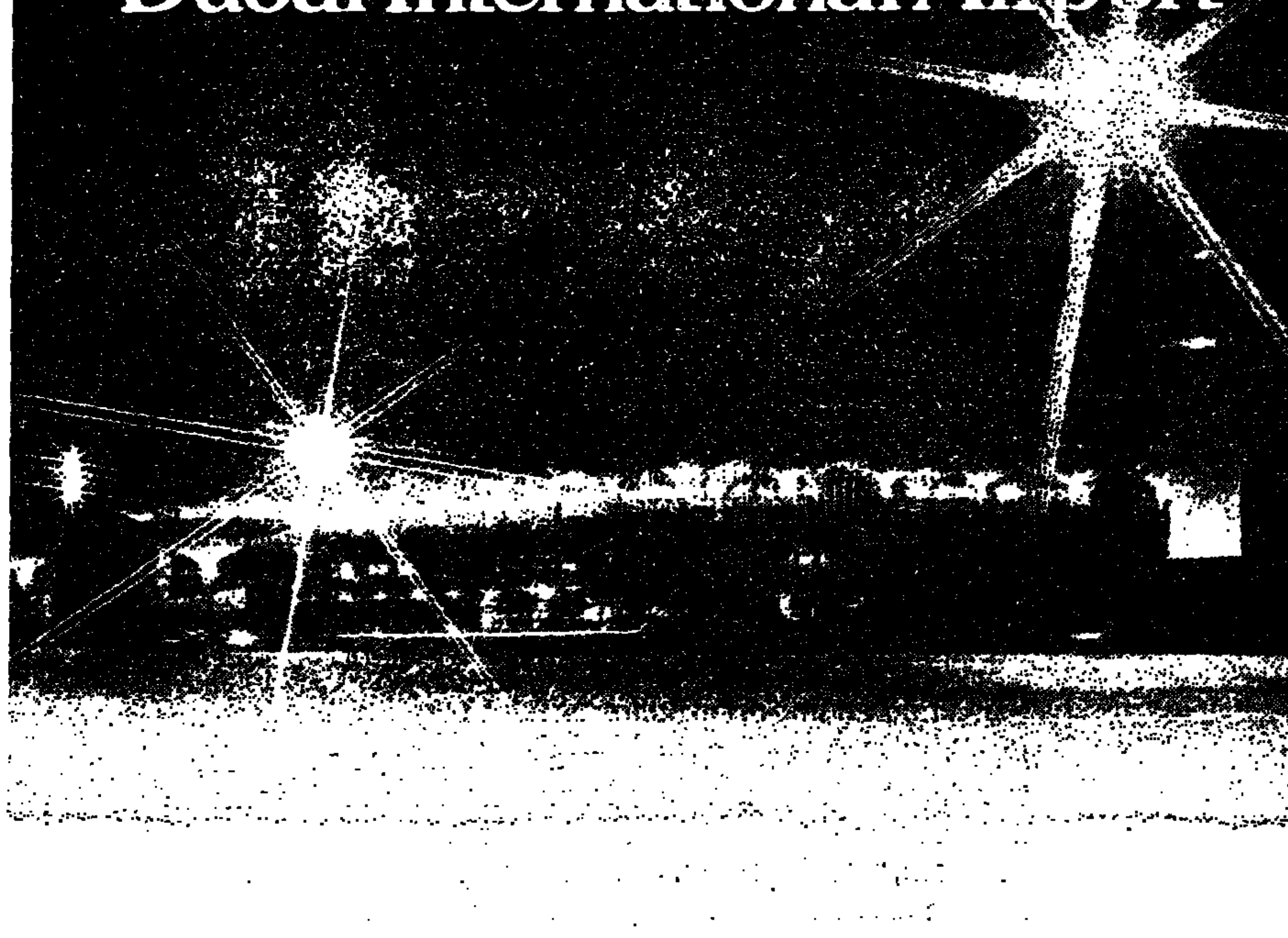
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Onshore oil find boosts economy

SHARJAH

KATHLEEN EVANS

SHARJAH HAS received a major boost to its economy during the past year—the discovery of oil and gas on its onshore territory. Before the announcement the Emirate faced a future of continued financial difficulties and pedendence on Abu Dhabi in both its day-to-day expenditures and its repayment of outstanding international debts. Today international banks are clambering to lend it money.

These economic plusses have been offset by some political minnuses for Sharjah. With its traditional rival Sheikh Rashid of Dubai holding the post of UAE Prime Minister, the Emirate has felt somewhat neglected. The absence of the Sharjah ruler, Sheikh Sultan, from the gathering of UAE rulers and crown princes who met the Gulf rulers at the recent summit in Abu Dhabi, was conspicuous.

Perhaps as significant have been the ruler's recent moves to establish his own governmentdepartments in the fields of oil, economy and information. Officials close to the ruler have portrayed these moves as a preliminary to gearing up for an oil and gas econmy, but others interpret them as an expression of hte current isolation Sharjah feels.

These departments were federalised many years ago, and any steps to re-establish independent departments is being seen as a reflection of the Emirate's attitude to the union.

The decision to set up an information and cultural department is viewed as being particularly important as the UAE's two semi-opposition papers are located in Sharjah, and have in the past proved an irritant to both Abu Dhabi and Dubai.

On a number of occasions the papers have been banned for the kind of news and comment they publish. Indeed the growing public support among the young and the intellectuals which surround the two newspapers has already been dubbed "the Sharjah group" in Abu Dhabi circles.

Whichever way the ruler chooses to move politically over the next 12 months the oil and gas discovery wil lenable the Emirate to enjoy greater economic independence in the future. The first well drilled by the concessionaire, Amoco, was found capable of producing 4,500 b/d and 50 mm cu ft of gas daily. Both are of high quality. Amoco has declared its willingness to develop the find, and preliminary plans outlined by local government officials say that some 25 production wells will be drilled. Preliminary estimates of the field's size vary between 7 trillion and 15 trillion cu ft of gas and 1.2bn barrels of oil. Possible production levels are put at 80,000 b/d of oil and 2001,000m cu ft of gas. The current concession agreement between Amoco an dthe Sharjah government requires the oil company to pass over 77½ per cent on net profits and a royalty to the emirate of 14½ per cent.

Local estimates suggest that within 15 months the find could yield as much as $1bn a year, and in 1984 this figure could double. A tender is about to be put out by Amoco for the gas separation scheme to link the onshore field to a loading terminal offshore Hamriya, a beach side village on the town's outskirts.

The discovery opens various industrial possibilities for the Emirate. Consideration is being given by Amoco to an LPG plant, or, more likely, a methanol venture, while the Sharjah Government plans to use its share of gas supplies to fuel its local power supply and such plants as the cement factory. However the surplus in the royalty share is now being pursued by several European and Asian groups, among which are the Indians who are looking into the possibilities of an iron and steel plant, fuelled by natural gas.

Radical change

Such figures on income will radically alter Sharjah's financial situation. At the present time, international debts to foreign banks are thought to be around Dh 600m, and central bank figures for local bank credit in Sharjah show that to Emirate government absorbs as much as 41 per cent of the total credit—roughly Dh 1.5bn. However there could be some duplication in the amounts calculated by the banks and the figure could be lower now. Some contractors report a slow but regular payment of their debts which in some instances date back two or more years ago.

A number of the international loans have been taken with the guarantee of Abu Dhabi. Thought has been given to the necessity of rescheduling the debts and a number of banks are in the running for this refinancing, which this time will not carry the guarantee of Abu Dhabi but will be based purely on Sharjah's own financial future.

This anticipated influx of funds into Sharjah will be felt by the whole town. Municipality budgets are sorely stretched, which leaves the town with inadequate refuse collection services, unfinished projects and had led to cuts in power and water services. Local hotels have been forced to buy water supplies from independent sources, and many residents have suffered extensive load shedding on electricity.

Such problems are likely to disappear as the new units come on stream at the local power and water desalination plant, following some rescheduling on debts remaining on the Dh 500m contract with the Italian company, GIE. The completion of maintenance on the existing steam turbines at the station will also ensure a comfortable margin in future between demand and supply on these vital services.

Tourism—once the Emerate's great hope—appears to have taken a backseat in the —?— of the developments in the hydrocarbon sector. Its local tourist office is reported to have asked for 10,000 block tourist visas so that the difficulties over entry for incoming tourists can be eased. The Emirate received around 3,000 tourist last season, mainly from Germany, though such traffic is likely to remain restricted to the up-market sector. Sharjah does not want to become a mass tourism centre.

Indeed any thoughts of that were largely dashed with the failure of Laker Airways to secure permission to fly to the Emirate. Sir Freddie Laker was hoping to combine a Sharjah stop on his Hong Kong route which is still under appeal in the colony. However, his application to the British Civil Aviation Authority to conduct regular flights to Sharjah only was turned down in May. It is anyway unlikely that the London-Sharjah fares will resemble those which he broke barriers on the New York route, for the fares quoted at the hearing were in fact higher than those available under the counter locally in Sharjah.

Fears are also mounting locally that the Emirate will eventually ban the sale of alcohol. In a number of hotels it has been restricted to hotel guests only, and in others, hotel bars have been boarded up. Such moves could severely damage the local tourist and hotel industry, particularly if extended. But then, with the new oil and gas about to come on stream, such considerations will look only secondary in the near future.

Back to traditional trading role

DUBAI

KATHLEEN EVANS

OVER THE next five years Dubai will experience a period of transition. Oil production is declining the major projects have been built and for the first time there are no more on the drawing boards. Dubai once the darling of the British exporter and contractor, is now settling down to the traditional role as a trading centre. Imports for this brisk re-evport centre are running at a healthy $5.4bn a year.

Sheikh Rashid, the ruler, who is about 74, is recovering from the two strikes suffered last year and is again showing the deft touches of commercial management for which he has become famous. Two months ago, he managed to surprise everyone by announcing a plan to hand over his dry dock to the Organisation of Arab Petroleum Exporting Countries. It was a move that not even his closest financial advisers knew anything about. Indeed, they were still negotiating with the British company, C. H. Bailey and Sheikh Rashid did not feel the need to inform them.

It was typical of the man who has ruled the Emirate very much as a one-man business for 30 years. However, his eldest son, the Crown Prince, Sheikh Maktoum bin Rashid, is very different and holds more liberal opinion.

Prepaid

In recent months Sheikh Rashid appears to bhave been clearing the decks of oustanding problems or debts incurred by him for the Emirate. He has prepaid a number of loans re-against the advice of consultants raised by export credits — — and officials say that all loans raised under his own name have been repaid. There are a number, however, which carry his guarantee. The largest of these is finance secured for the with problems from the begin-Emirate's aluminium smelter.

The smelter has been beset ning mainly because capital investment turned out to be larger than originally thought by the government.

The final cost was $1.3bn, all of which was raised by international banks and foreign government credit. A number of the loans were signed by the company's chairman, the UAE Finance Minister and Rashid's son, Sheikh Hamdan, carrying the ruler's guarantee, while others were signed directly by the Dubai ruler.

The outstanding loans are those bearing only the ruler's guarantee, and at the moment, a three-month suspension on repayments of interest and principal has been declared. The suspension runs out on July 31, though with the ensuing Eid holiday and summer period, some bankers are speculating that the situation could be prolonged.

There appears to be some discrepancy in attitude by both sides as to responsibility for repayments. The ruler belives that having paid out such large sums to get the plant built, the company should take up the financial reins. On Dubai's side, officials argue that with such a young industry not yet out of the commissioning stage, a fresh injection of working capital and finance for debt repayments should be made. The company is believed to be seeking $180m from the government.

The gas supply picture for Duba also remains unclear. Three months ago, Sheikh Zayed of Abu Dhabi agreed to supply the plant with a reliable source of gas either at cost price or free, withthe pipeline to be paid for by Abu Dhabi.

However, this decision has not yet been handed down to the national oil company, Adnoc, which is still proceeding with the project on a commercial basis.

Dubai's own gas liquefaction plant supplies the aluminium smelter at present, though there are reports that the Dugas plant is experiencing considerable debugging and design problems which have affected production. Dubai's own requirements are down at the moment because of an accident which occurred in the plant causing a freezing on part of potline one and the whole of potline two. By the end of this year, all three potlines should be in full production. Dubai officials are already talking of the desirability of a fourth potline, which they say will radically alter their profitability picture. They are expecting to see a profit of more than $500m by the year 1990, which, if capacity is expanded durin gthat time, could be more thand doubled.

The other major industrial problem on which Dubai appears to be moving towards a resolution is that of the dry-dock which has been the subject of negotiations for three years. The £250m dock has lain empty and virtually finished for the last two years while discussions have continued with C. H. Bailey about its operation and management. The dock was to be handed over at a symbolic peppercorn rent with some agreement on profit sharing between the two sides, but difficulties were reported to have arisen on the required working capital, mobilisation investment and maintenance bills.

Then, when discussions with Bailey were said to be nearing conclusion, OAPEC announced that a committee was to be set up to study the possibilities of the Dubai facility working in conjunction with the Bahrain dry dock. The Arab Ship Repair Yard is said to be working full out with expansion considered so that business does not have to be turned away.

OAPEC has always tended to view such facilities as dry docks as a strategic necessity rather than as profit-making ventures. However, the Bahrain yard is now expected to become profitable within the next year or so. The OAPEC committee, which consists of UAE Oil Minister Dr. Mana Said al Oteiba and Bahrain Industry Minister Yousuf Shirawi, is to study how wasteful and damaging competition between the two docks can be eliminated.

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Foreigners flock to share the fruits of oil riches

ABU DHABI

BRIAN GROOM

ABU DHABI is among the world's more cosmopolitan capitals. Filipino violinists in an hotel restaurant play Viva l'Espagna and Bavarian dances, while upstairs an Egyptian bellydancer draws scant applause from a largely Lebanese audience. Drinkers at a French hotel sing along to Roll Out the Barrel on the piano; a Filipino harpist plays Frank Sinatra numbers, and in the Brasserie a guest is paged in German.

Virtually all nationalities have arrived here to share in the oil-inspired transformation of a poverty-stricken society of camel-herders, pearl-divers and fishermen into a well-spring of the world economy. Foreigners now make up at least three-quarters of a population which in the mid1970s was growing at 20 per cent a year. Forty-eight varieties work in Abu Dhabi's administration alone.

Some argue that Abu Dhabi meets its match for cultural madness in Dubai, which last month was the scene of a UK trade fair for which the hotel usher dressed as a Beefeater and security men appeared as British bobbies. Sharjah, further north, even has an eskimo resident in a country where temperatures reach 48 deg C; he runs a rope factory. But Abu Dhabi has had Beefeaters in its time, and can boast an Arabic-speaking Australian aborigine resident.

More seriously, the oil wealth which has attracted the briefcase- and spade-carrying nationalities of the world has raised Abu Dhabi to political as well as economic supremacy within the emirates, symbolised by the fact that its ruler, Sheikh Zayed, holds the UAE presidency.

To some extent Abu Dhabi's money has eased problems of federal disunity, but inevitably there have been jealousies and rivalries, particularly with neighbouring Dubai, which has long been more developed as a trading centre but which has far less oil and gas income. The appointment in 1979 of Sheikh Rashid, Dubai's ruler, as Prime Minister reduced tensions, and a major gesture towards co-operation was made last autumn when Abu Dhabi agreed that it will pipe gas from the $300m Thamama C project to the Dubai aluminium smelter.

Abu Dhabi's oil production, cut to 1.27m barrels a day from January, accounts for nearly 80 per cent of UAE output. The emirate similarly accounts for a high proportion of UAE oil earnings, which were $18.5bn in 1980, and in addition it has investments believed to be over $10bn which yield income of perhaps $2bn.

This year Abu Dhabi will contribute Dh 20.45bn ($5.54bn) to a federal budget of Dh 26.2bn ($7.1bn), and may be asked for more because the latter figure includes a Dh 2.2bn increase since the Abu Dhabi contribution was approved. In previous years the emirate has provided 98 per cent of the federal budget.

The emirate's own development budget is Dh 7.3bn ($1.98bn) this year, of which 65 to 70 per cent will probably be spent. It also has a Dh 6.2bn ($1.68bn) ordinary budget. In addition the emirate provides a large amount in foreign aid.

It is often said that Abu Dhabians are among the richest people on earth if the estimated number of local citizens is divided into the emirate's income. In 1980 this would probably have come to over $200,000 per head. They do not see this money: much of it is earned and remitted by foreigners, much goes on aid, and income and wealth are far from equally distributed. But this year Dh 2.5bn is being distributed in the capital in land compensation payments going back to 1969, which will leave 3,000 individuals nicely in pocket.

Mini-boom

Rents in Abu Dhabi have been forced up by the emirate government's decision to provide accommodation for its civil servants, which have over-compensated for the collapse of the property market in 1977. The result is that the capital, which had begun to look established after resembling a building site for 10 years, is now experiencing another building mini-boom.

Among public works, a national theatre—to stage a predictably cosmopolitan programme—a covered market, a sports city, a parade stand and several government buildings are under way or pending.

The inland oasis town of Al Ain, the emirate's second centre and the historical seat of power of the ruling al Nahayyan dynasty, has seen great agricultural and horticultural development at some expense to the level of the water table. Unlike some UAE towns, its population is rising rapidly; housing is in short supply and there are problems in keeping up with the demand for water and power.

Al Ain is the site of the emirate's expanding university and a pleasant resort for wealthy Abu Dhabians. A Dh 489m ($133m) international airport will be built by the mid-1980s.

In Abu Dhabi's over-crowded island capital the atmosphere is tense with the pressure of oil-rich development, and there are those who feel that the place is built metaphorically as well as literally on sand. The foreigners who make up three-quarters of the UAE's population and perhaps more of Abu Dhabi's could pack their bags and leave at the first sign of trouble in the region.

Abu Dhabi has a one-resource economy. Even though its Chamber of Commerce and Industry receives 20 applications for membership a week, local commerce is the result of oil wealth rather than a strong trading history.

The authorities' dilemma is summed up in industrial development. New industry represents an option for widening the economic base, but it increases the foreign population which lends both unreality and potential instability to Abu Dhabi.

Moreover, the cost of imported raw materials and labour increases the attractiveness of industry which is capital-intensive and hydrocarbon-based — but that is hardly insurance against the day the oil runs out.

Unity helped by lack of money

NORTHERN EMIRATES

BRIAN GROOM

THE SO-FAR oil-less northern emirates of Ras al Khaimah, Fujeirah, Ajman and Umm al Quwain have found themselves torn between rugged independence and a reliance on cash from their richer neighbours in the federation.

They are rugged in another sense, too. In Ras al Khaimah, in the UAE's mountainous and relatively beautiful and fertile region, a German quarry manager was shot dead recently in a dispute over land. Visitors are often shot at by the Shihuh people of the hills. Expatriates, however, do not rate the dangers highly. "It is no worse than Scotland was 300 years ago," said one.

Violence broke out recently between members of the Ghafari and Hanawi tribes on the border between Ras al Khaimah and Fujeirah. Two were killed and eight wounded. This time it was over the distribution of houses, but in fact the tribes were resuming a feud begun years ago after a battle at a wedding party.

The emirates' traditional alliances—Ras al Khaimah and Umm al Quwain with Dubai, and Ajman with Abu Dhabi—must be taken as seriously as tribal rivalries. But two factors pull them towards federal unity: the need to feel less isolated and vulnerable amid regional tensions, and the need for federal money for services and development.

Tensions reduced

The price is dependence on Abu Dhabi. However, the appointment of Sheikh Rashid, Dubai's ruler, as UAE Prime Minister in 1979 reduced some inter-emirate tensions. Sheikh Rashid has also funded projects in his Dubai capacity, including 7,000 low-cost houses throughout Dubai and the northern emirates.

The poorer emirates have a larger proportion of nationals in their populations, and maintain high employment in fishing and agriculture; they contain the country's main naturally fertile areas. Agriculture is being expanded but at some cost to the water table.

The Ministry of Agriculture and Fisheries plans to tackle the problem by building a dam in Ras al Khaimah and a dam in Fujeirah, by carrying out a soil and water survey, and by establishing a modern irrigation network under the 1981-85 agricultural plan.

All, of course, have held out hopes of finding oil and gas in commercial quantities. These hopes, together with a desire not to be left behind on development, led to liberal spending in the mid-1970s and a build-up of debts. Ras al Khaimah's total indebtedness is estimated at $0.5bn, Ajman's at over $50m, and Umm al Quwain's and Fujeirah's at somewhat less.

Ras al Khaimah's frustration has been the greatest. Its ruler, Sheikh Saqr bin Mohammed al Qassimi, held out against joining the federation until February 1972, largely on hopes of finding oil. Hydrocarbons were found offshore in the early 1970s, but the find was uncommercial. Onshore drilling near the airport over the past year has proved fruitless. More exploration is expected.

Since comparative recession hit the UAE in mid-1977, Ras al Khaimah's economy has never really raised itself out of the doldrums, and observers believe that Sheikh Saqr's independent spirit may have led to the emirate getting less federal cash than might have been expected. Sheikh Khalid, the Crown Prince, is considered more flexible in federal matters and has the reputation of being able to procure money.

One benefit from the federation has been a decision to pay the fuel bills for electricity generation of Sharjah and Ras al Khaimah. Recently there have been indications—including newspaper advertisements for staff—that the federation is willing to take over Ras al Khaimah's Galilah 1 power station, which has never come on stream because cash remained unpaid to the contractors. On Galilah 2, only the civil work was finished.

However, it may prove too late to prevent power shortages expected this summer. The Union Cement Company's plant, operated by Norcem of Norway, suffers from the emirate's electricity problems and is putting in a 10.5-Mw gas turbine. The Kuwaiti-owned Gulf Cement Company factory, due to come on stream in August and produce 1m tonnes a year for export, is installing a 30-Mw plant.

New port

Fujeirah, on the east coast, has stayed out of federal quarrels and has been successful in winning money from all sources. A Dh 175m port, initially of two berths, is due for completion late this year and will be managed by Felixstowe Dock and Railway Company. The Iran-Iraq war may bring business from ships not wanting to sail through the Straits of Hormuz, as it has done for Sharjah's Khor Fakkan container terminal.

The road from Fujeirah to the west coast is being made into a dual carriageway, which opens up the prospect of a two-hour freight journey to Dubai.

Last October's plugging of the onshore oil test well in Ras al Khaimah was bad news for Fujeirah, where the formations are similar, but Ajman has taken heart from optimistic seismic surveys both offshore and onshore, the latter some 6 km from Sharjah's latest hydrocarbon find.

A 300,000 tonnes a year cement works or a grinding plant may be set up by Kuwaiti businessmen and the Ajman Government, who have formed a company with an authorised capital of Dh 200m.

Ummal Quwain, disappointed by a 1976 gas find which turned out to be uncommercial, plans to set up an investment company with a capital base of Dh 200m to assist exploration. It would have local and foreign participation. Meanwhile, Umm al Quwain receives 30 per cent of Sharjah's small and declining oil income from Abu Musa. Agriculture and fishing remain the emirate's main activities, but it also has an asbestos factory.

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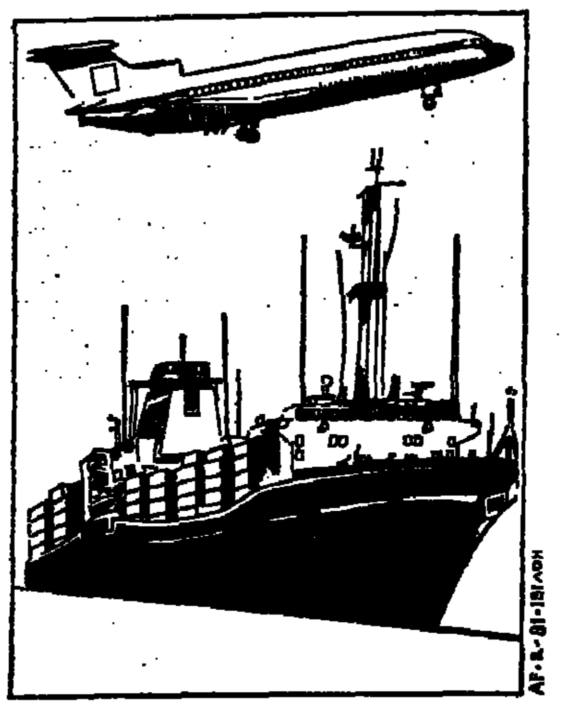

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	1980 Dh 000's	1979 Dh 000's	1978 Dh 000's
DEPOSITS	3,219,944	2,374,695	1,986,075
ADVANCES	2,240,960	1,959,782	1,708,187
CASH AND BALANCES DUE FROM BANKS	1,531,327	701,506	580,378
INVESTMENTS	88,821	59,752	68,932
SHAREHOLDERS FUNDS	300,566	196,530	154,529
BALANCE SHEET TOTALS	5,052,501	3,697,502	3,195,257
NET PROFITS	72,236	47,401	38,273

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Uncertainty over Islam and the payment of interest

BANKING

DUNCAN CAMPBELL-SMITH

FOR YEARS, the UAE banking sector has lacked an effective supervisory authority at federal level. Last December, Union Law No. 10 at last established a Central Bank to fill this gap. The air has since been thick with new regulatory guidelines, ratio limits and reporting requirements.

In these circumstances, it is a little ironic that a great cloud of uncertainty should now have descended, which it could take more than a strong central bank to dispel, on the whole critical issue of Islam and the payment of interest.

This is a delicate matter throughout the region: commercial banking is big business everywhere even though high international interest rates in recent years have been increasingly difficult to reconcile with Islamic strictures against the concept of charging interest on loans.

In the UAE, like every other Islamic country, a modus vivendi has emerged with pragmatic concessions from both sides. But the compromise has been under serious threat since February, when a nephew of the Ruler of Dubai instituted proceedings in the Abu Dhabi civil courts to release him from his contractual obligations to pay interest on a personal loan of $16m extended by a six-bank syndicate led by the National Bank of Abu Dhabi.

To the bankers, this appeared a transparent attempt to substitute Islamic practices for the unpleasant rigours of straightforward default. Sheikh Mohammed Al-Maktoum spent his $16m on a construction project which is believed to have yielded insufficient income to service his loan. To other borrowers, it appeared a splendid opportunity to cut costs and the banks found themselves inundated with customer requests to waive interest charges.

Considering the potential importance of the case, its outcome is still remarkably uncertain. The loan was subject to British law and the banks have obtained a favourable judgment in the UK High Court. This has been passed to the Head of Courts in Dubai, but no decision has been announced as to whether proceedings may go ahead in the Dubai and Abu Dhabi courts.

The absence of Sheikh Rashid and his precarious health may be partly responsible for this delay. But it is seen by many as further evidence of the authorities' reluctance to confront the issue. The banks would like to see some written commitment to the legality of interest payments, in the form for example of a Ministry of Justice ruling or Amiri decree. This has not been forthcoming and the doubts remain.

Certainly the banks would be more nervous were it not for a verbal reassurance given to them by Sheikh Surour Al-Nahayan, the chairman of the Central Bank. He told the local Bankers' Association that suits involving loan documentation would go before the civil rather than the religious courts. This actually marked no change in the existing system, but was taken by the banks as a signal of official support.

The Central Bank had otherwise stayed clear of a problem fraught with political and religious complications. It aspires to an authority never enjoyed by its predecessor, the UAE Currency Board, but has proceeded cautiously to date and would clearly prefer to restrict its growing influence for the moment, anyway, to more technical matters.

The governor of the Central Bank is Mr Abdel-Malik Al-Hamr. He distinguishes it in three main respects from the Currency Board, where he held the same job.

First, it has far more explicit legal powers both as a lender of last resort and as a regulatory authority.

Greater muscle

Second, it has much greater financial muscle. The bank's foreign currency and gold holdings amounted to $1.98bn in December, 1980—a 35.2 per cent increase over the year earlier figure—and it has a fully paid-up capital of Dh 300m ($81.7m).

Third, the organisation of the Central Bank has been designed to give it a more truly federal status. Under the chairmanship of Sheikh Surour, its seven-man board has met regularly since its foundation and represents all of the Emirates, each of which must now submit to the bank one half of its yearly revenues.

The practical impact of these changes is still difficult to assess and some scepticism remains about their net contribution. The management of Abu Dhabi's surplus oil revenues, for example, seems little changed and its investment at home and abroad continues to be the responsibility of the Abu Dhabi Investment Authority (ADIA). But the bank's influence should give added weight to existing official policies towards the banking sector.

The sector remains seriously overlent, with advances to the private sector around 130 per cent of customers' deposits. To help combat illiquidity, the bank's swap facility provides dirhams in exchange for dollars under reversible contracts carrying effective borrowing rates of ½-1 per cent less than the prevailing interbank market rate. Overdraft funding of arbitrage operations against the dollar are discouraged by a rather more flexible attitude to the local currency's exchange rate than is found elsewhere in the Gulf.

They might be more effectively discouraged, say local bankers, were this attitude to be more readily apparent. But periodic revaluations of the dirham have probably been too small and too infrequent to be a very useful deterrent. Officials still shy away from the very work revaluation, preferring to talk of "readjustments."

It is also maintained that the outflow of capital is no longer a problem for the banks. Rather, says Mr Al-Hamr, "it is the distribution of the liquidity which we are trying to improve." Keeping a tighter watch on the balance sheet ratios of the banks is one approach. Another is to distribute official deposits more widely in the system instead of placing the bulk with the National Bank of Abu Dhabi and one or two foreign banks.

A second purpose here is to help promote a broader growth of the indigenous commercial banking community, especially leading members like the Khalili Commercial Bank, the Emirates Commercial Bank and the Federal Commercial Bank. The authorities would like to see them exert a greater presence internationally as some, notably the Union Bank of the Middle East, have already begun to do.

The flagship at home and abroad will remain the National Bank of Abu Dhabi, which has 14 foreign offices as well as 35 domestic branches. With current total footings of Dh 17.54 bn ($4.5bn), its international activities this year so far include — Eurobond co-managements and three Floating Rate Certificates of Deposit issues for foreign banks.

In line with strengthening the larger banks are efforts to encourage some consolidation among the many smaller banks of the UAE. But here the record is rather mixed. A few, like the tiny Bank of the Arab Coast and First Gulf Bank, have been reorganised with more capital and local shareholders. On the other hand, the persistent concern over the large number of banks in the UAE has not been lessened by the lifting earlier this year of the moratorium on new banks laid down in 1977.

The Central Bank last month banned foreign banks from opening new branches. But five new local banks have appeared since last year and plans for another have just been announced —a National Bank of Umm Al-Quwain with an authorised capital of $27m—bringing the total in the UAE to 53 banks with a total of 350 branches. As if this were not enough, the Government also has plans for a number of specialised banks, including an Industrial Bank (whose law is now in draft) and perhaps a Development Development Bank and a Real Estate Bank.

Very rapid growth puts quantity before quality

EDUCATION

BRIAN GROOM

THE UAE's lavishly provided-for and rapidly-built educational system is going from strength to strength, officials say. The number of pupils in state schools has tripled since independence to 110,000. However, expatriate observers believe that quality is lagging some way behind the quantitative expansion.

This is important as the "indigenisation" of top jobs is pursued in a country whose citizens comprise only about a quarter of the population and a much tinier proportion of the workforce. The quality of a whole future generation of Ministers, administrators, managers and technicians depends on the system's standards.

Standards of a different kind to those understood in the West have been the preoccupation of Mr Said Salman, the Education Minister. Since he and a batch of like-minded senior officials moved into the Ministry in 1979, a strong policy of Islamicisation has been pursued.

The campaign is gaining momentum. The Islamic content of curricula has increased, and preparations are being made to introduce military training into state schools. The Minister has also now decreed that most of the 57 private schools must segregate pupils by sex, and that basic instruction in Islam must be provided for Moslem pupils in these schools.

Expatriate Moslem schools have been the first to see the segregation decree applied, but observers do not expect the policy to be extended to the Western schools because a number of interests are ranged against it. The UAE still needs many foreign executives, and they demand a certain type of education for their children.

No one doubts the sincerity of Mr. Salman's belief that the educational system must promote Moslem, Arab and conservative values: but Islamicisation is also seen as a response to two unstated fears. These are, first, young nationals may become restless as fewer of the top jobs they have come to expect become available. Second, there is a danger of an upsurge of revolutionary Islamic fundamentalism.

The campaign is also designed to counteract the effects of the Western consumerism which abounds in the UAE. To achieve that, however, a willingness to reconsider the society's whole pursuit of luxury may have to emerge. As it is, the greatest impediment to the improvement of standards is the fact that educational achievement is not the key to luxurious living in this oil-rich but partly feudal society where family connections are still all-important.

The growth of federal educational spending has been awe-inspiring. The Education Ministry's current budget rose from $17m in 1973 to over $295m in 1980, and the Minister's energy is now ensuring that a higher proportion of budget allocations are spent than is usual in the UAE.

Problems have arisen amid this haste. The expatriate Arab teachers who are acquired in bulk from countries such as Egypt and Jordan, and who make up nearly 95 per cent of the state's 5,300 teachers, come simply for remunerative employment—and by UAE standards their pay puts them at the lower end of the social scale. They face severe disciplinary problems with sons of UAE citizens.

Unused

The authorities are now taking more care about after-sales service for the expensive language laboratories they buy, but they still often remain unused because of a lack of teachers trained to run them.

Well-publicised attempts are being made to improve the literacy rate, and officials claim that adult illiteracy should be "a phenomenon of the past" by 1985. It is difficult to judge their success, however, because the literacy rate remains a state secret.

Eyes are firmly fixed on the UEA's university at Al Ain, opened in 1977, whose standards will affect both the school system and the quality of the country's intelligentsia. An Al Ain degree is considered by observers to be "teetering towards" the standard of the British A-level.

The first 425 students are due to graduate this year. They have generally walked into good jobs, but some observers feel that too many young nationals are being appointed to senior positions in ministeries without adequate qualifications and experience.

Particular attention is being paid to the women graduates, who this year number 167, mostly nationals. Education may in the long term liberalise the restricted role of women in the UAE. Most of the current batch will get jobs in teaching and social welfare, but in time other employers may come to feel that the women are a better acquisition than the men. They study harder and get better results, and at all stages the girls' education system in the UAE is better than that for boys.

The girls' studiousness, however, coupled with strict supervision, may restrict their participation in the increased political activity which observers predict for male students. The men at Al Ain have recently formed a national students' union; but the women voted not to join it by 494 to 17 in a poll supervised by the university's administration.

Postgraduate studies are being introduced, but there is a fear that UAE education could become an unhealthily closed circle should this lead in the long term to Al Ain graduates going straight back to teach at the university. At present foreigners dominate the teaching posts, but the official aim is for nationals to occupy 80 per cent of them within 20 years.

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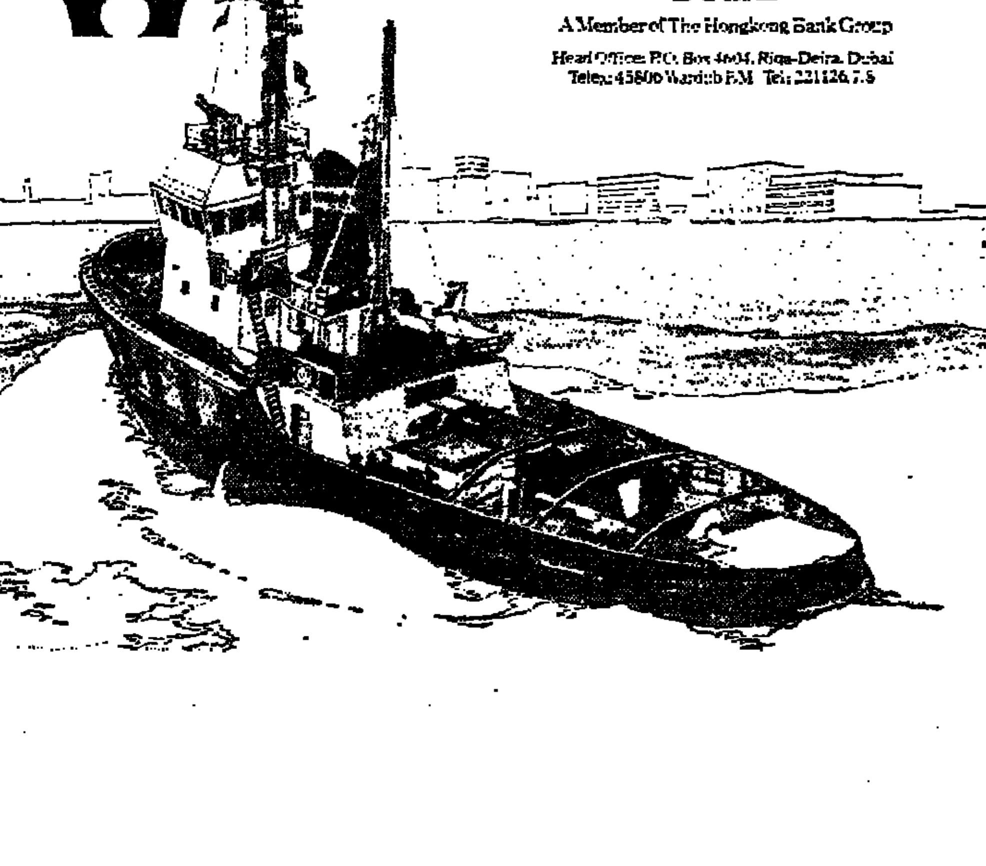

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UNITED ARAB EMIRATES IX

Boom days back as rents outstrip pay

PROPERTY

KATHLEEN EVANS

IN ABU DHABI rents are on the verge of becoming a political problem. Some 60 per cent of the teachers employed in the city district have applied for transfers to cheaper emirates because they cannot meet rising rents.

Inadequate pay and housing allowances do not keep pace with rents which can go up by as much as 25 per cent a year. Even those government staff who are given a budget for accommodation and furnishings are finding their allowances in no way match the rents currently prevailing in Abu Dhabi. The property scene today in the city has returned to 1976 boom conditions.

The reasons for this reversal from the situation of two years ago are three-fold. First, the 1977 property crash and resulting banking crisis made many local bankers wary of funding property developments. Second, the surplus in the Abu Dhabi market was quickly absorbed when the Federal Government decided to provide its senior level staff with accommodation in lieu of allowances. This was done partly to help landlords who were finding it difficult to meet the interest payments on their loans. Third, the local municipality slapped a moratorium on new building permits to strengthen the market for owners of existing buildings.

A combination of these factors has led to a repeat of the boom days. Offices are once again being set up in hotels and hotels are proving on many occasions cheaper for tenants to live in than apartments. Local property agents report waiting lists of tenants stretching into the hundreds.

Cluttons, the British property company which has been in Abu Dhabi for several years, has decided to leave the city until more accommodation comes on to the market. "We were only letting one apartment a week and one villa a month towards the end," reported one of their executives. "I don't think the situation will change for another three years until the new blocks come into use."

Another major factor adding to the Abu Dhabi squeeze is continuing high demand. The capital is still experiencing strong economic growth fuelled by the large-scale oil and defence projects under way in the Emirate. The national oil company, Adnoc, requires at least one new building a month according to local agents, and the high demand from the oil sector is leading companies to compete against each other for the little accommodation available.

Agents believe the situation will ease slightly when staff start moving out to the new city of Ruweis, and when Zadco, another oil development company, moves into its own accommodation. However, these developments will only marginally affect the market and newcomers will soon take up any slack.

"There are no rules in this market," says Mr Tayseer Khalil of Prince's Property, one of the city's leading agents. "Even in the same building, you can get different rents for identical apartments. At the moment I have three blocks fully let even before they are finished, and my waiting list exceeds 300 people. I have some families who have put their furniture in store hoping somehow that an apartment at a reasonable price will come on to the market." Of that, there appears little hope, he believes.

The cheapest two-bedroomed flat now starts at Dh 50,000 a year and they are becoming increasingly rare. The more normal requirement for a foreign executive and a small family, say a three-bedroomed apartment, is from Dh 80,000 upwards, and rents of Dh 120,000 a year are not uncommon. Villas start at Dh 180,000 a year and go up to Dm 400,000 or $110,000 annually for a large unit for a general manager. Rents are also payable one to two years in advance.

Consumer resistance to these prices is setting in. Villas are proving difficult to let, and the owners of Abu Dhabi's newest villa complex, Madinat al Karamah, are said to be discreetly flexible on their rents which start at Dh 175,000 a year, payable on some units up to three years in advance.

At such prices, the capital write-off is now getting down to four years again, in much the same way as they were in 1975.

"I had one owner who constructed his building at Dh 15m," one agent said. He got Dh 97,000 for each flat two years in advance, which made Dh 9.25m straight off. Within three or four years, the building would have been paid for. But still he came to me one morning and said he wanted to put the rents up even before the tenants moved in.

"He had obviously been sitting with a few friends the night before and they were boasting how they received Dh 100,000 per flat, and he decided he wanted the same. That's how rents go up in this town."

A number of agents wonder why tenants do not simply refuse to pay the increases. "They could sit tight for six months and drag out the court case, and then even might get a lower rent increase declared." Cluttons felt that resistance to the high prices was already affecting demand. "A lot of companies are going for only a representative presence in Abu Dhabi. Sharing an office with other people is already common," said a former Abu Dhabi manager.

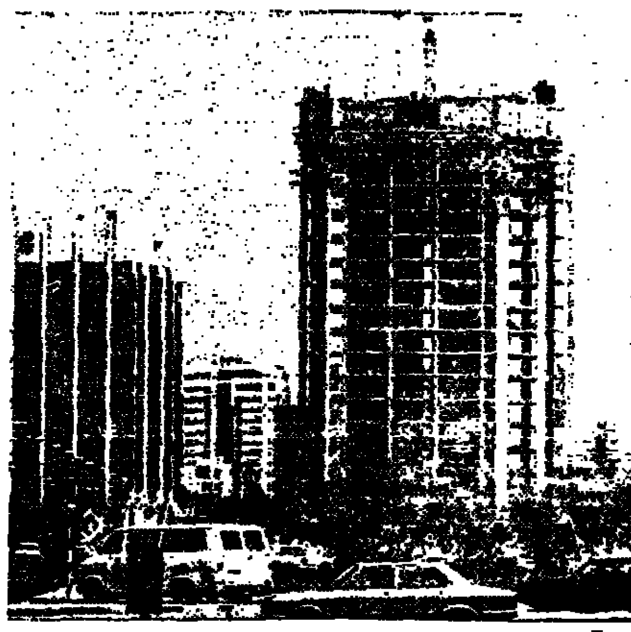
There is unlikely to be any easing of this tight situation for some years, property agents agree. Only 50 new apartment blocks are under construction in Abu Dhabi city, and many of these have only just started.

Office accommodation offers a similar picture. Two years ago office rents for a centrally air conditioned building were around Dh 700 a square metre per year and Dh 350 for offices fitted with unit air conditioning.

Today, centrally air conditioned offices start at Dh 750 and go up to Dh 2,000 per square metre yearly. The minimum rate for a centrally located office is Dh 1,000 per square metre, payable yearly in advance. For a showroom of 150 square metres, tenants can expect to pay Dh 200,000 yearly in rent which works out at Dh 1,300 per square metre. Smaller units are quite arbitrarily fixed with little reference to the amount of space. On top of these prices, incoming tenants can be expected to pay commission to the agent. On an apartment, for example, this can be as high as $550.

For those people receiving housing allowances, the situation looks fairly bleak over the next few years. Even if the government wanted to ease their situation, there appears to be few if any immediate answers to the problem. A report on the rent situation has been drawn up by the State's complaints and suggestions office because it was believed that high rents were contributing to an exodus of the skilled people from the country.

A study recommended the speedy construction of government housing and special quarters for unmarried staff to be built on the outskirts of town and some regulation of the relationships between tenant and landlord. The latter might prove more difficult as the government is also anxious to protect the incomes of its citizen landowners. The real estate committee which was established two years ago to help owners pay off their loans, is now believed to be handing out new loans for construction to help ease the shortage, but these efforts will not bear fruit for some years.



Terry Kirk

Making space: Abu Dhabi's tallest building, the 18-storey Arab Monetary Fund tower is being built by Bernard Sunley

In the northern Emirates the situation is almost reversed; rents in Dubai are between a half to a third of those in Abu Dhabi, and the new tenant is able to choose from a range of high standard accommodation. Some of the blocks opened in the past 18 months would not disgrace any world capital. The Galadari Galleria, for example, is a 30-storey block with a swimming pool on the roof, tennis and squash courts, a health club, cinema, ice rink and in-house video. Rents for this prestigious apartment block linked to the Hyatt hotel are between Dh 60,000-Dh 80,000 a year. Villas in Dubai are available at the same kind of price range and at the lower end of the market, a reasonable two-bedroom apartment can be rented for as little as Dh 25,000.

These relatively low rents for high quality accommodation coupled with the liberal atmosphere of the town has considerably enhanced the Emirate's ambition of becoming a regional Gulf centre, and local property agents report a steady flow of companies establishing their regional offices in the town.

Neighbouring Sharjah, which was once the by-word for property disasters, now looks as if it could do with more luxury accommodation. The new oil and gas find has yet to translate into an influx of tenants, but with the industrial plans currently under study by the local government, the prospect for an increase in demand, for good quality accommodation look very strong. Sharjah still has plentiful cheap accommodation but the property market in the other Emirates is largely determined by whatever new ventures can be lured to the north. The east coast is fairly active, but for Emirates such as Ras al Khaimah, the problem is providing electricity.

Without sufficient power, there is little likehood of any new businesses setting up there, and thus no prospect of any increase in population.

Port congestion gives way to overcapacity

COMMUNICATIONS

BRIAN GROOM

NOTHING HIGHLIGHTS more starkly the conflicting impulses towards unity and rivalry among the United Arab Emirates than the development of communications. A good road network and an efficient federal telecommunications system have pulled them closer together, but pride and distrust among the larger emirates has resulted in a proliferation of ports and airports.

"It's unarguable that there is overcapacity," says Mr Philip Forrest, manager of Sharjah's Mina (Port) Khalid. There are six (shortly to be seven) main ports. The UAE has half the deep-water berths in the entire Gulf but accounts for only 5 per cent of the area's imports.

There are justifications. Things are certainly easier for importers than in the mid-1970s when port congestion meant long waits. And while the ports clearly have a hard task to prove economic, many are prepared to try to attract new business by developing individual services rather than to fight for market share in a rate war. The healthy trans-shipment trade, boosted by the Iran-Iraq conflict, shows what is possible; trade generally is growing.

It can be argued too that a rich and developing emirate such as Abu Dhabi needs port facilities and would otherwise have to import through Dubai and along one main road. Even so, eyebrows were raised when it became known earlier this year that the emirate's authorities were contemplating five more deep-water berths for Mina Zayed.

Trade lost

Dubai accounts for two-thirds of UAE imports. Mina Rashid, the older of its two ports, handled 2.7m dead weight tonnes of cargo in 1980, little changed from the year before, but including a 23 per cent increase in container traffic.

With imports rising it is clear that some trade is being lost to the new Mina Jebel Ali, which handled 1.9m dwt of general cargo last year compared with 234,000 in 1979, when it was operational for only six months, plus 64,000 TEUs (29,000) of containers. Jebel Ali is a free trade zone, and 53.8 per cent of 1980 cargoes were for trans-shipment.

Sharjah, which handled 2.2m dwt (2.0m) excluding containers in 1980, benefits from a free trade zone and from being linked with the emirate's airport in an "intermodal" transport system. Ras al Khaimah's Mina Saqr is somewhat quieter but is adding a new berth for cement from the Gulf Cement works, while on the east coast Sharjah's Khor Fakkan container terminal has benefited from the Iran-Iraq war. The two-berth port being built at Fujeirah may also win business from ships wanting to unload there rather than enter the Gulf.

The UAE has four international airports (with a fifth to be built at Al Ain), and some are easier to justify than others. Passenger traffic at Dubai, the busiest with 2.8m passengers in 1980, is growing by 12-14 per cent a year and an extension is awaiting approval. Abu Dhabi has had to discourage transit traffic because it is close to its capacity of 1.7m passengers a year; the new Abu Dhabi airport, which will soon open to replace the existing one, expects to be quickly up to 75 per cent of its capacity of 3m.

Optimism

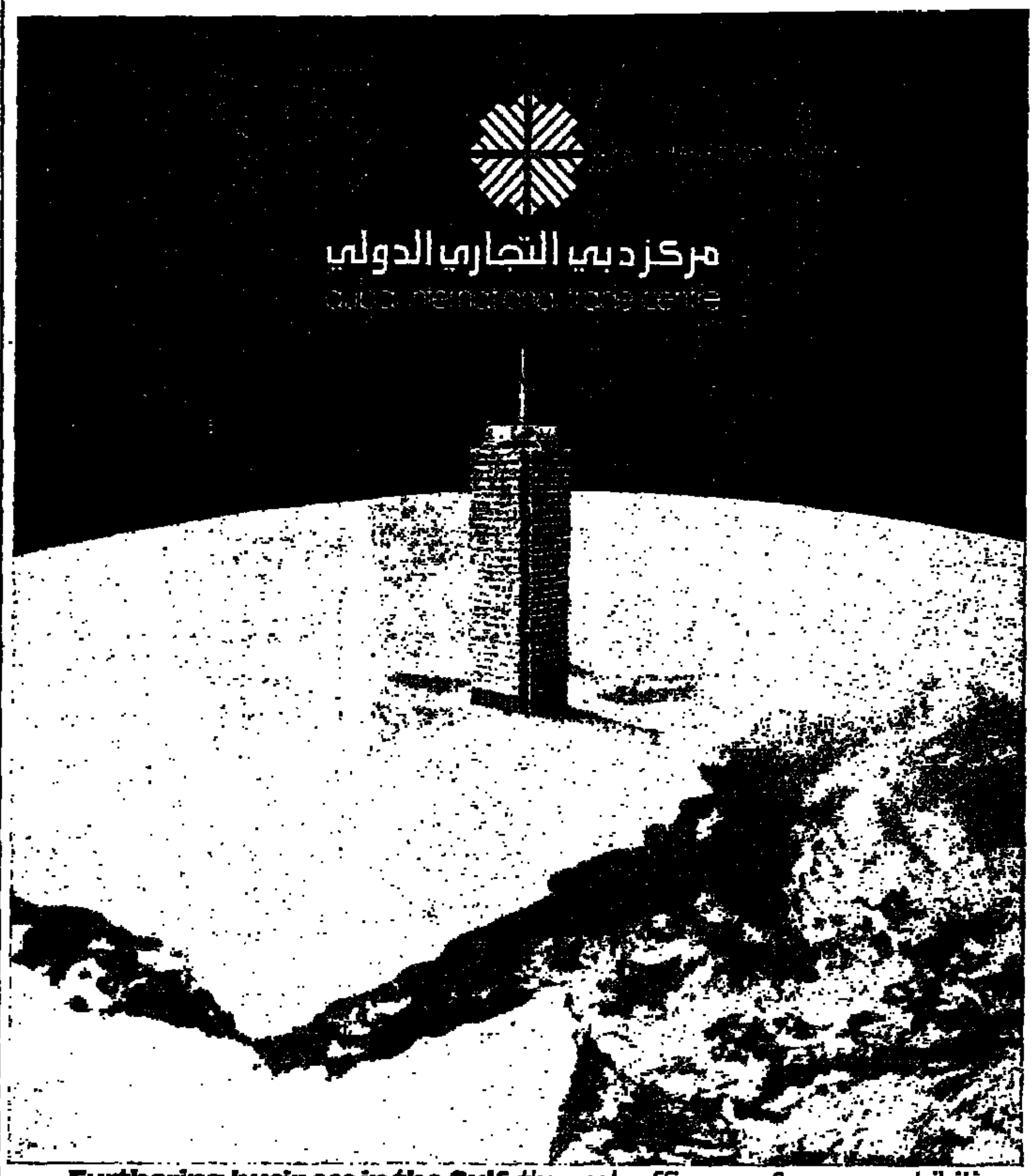
Ras al Khaimah airport is the quietest (although it has a potential strategic use) and a question mark hangs over Sharjah, opened in 1977, because of its proximity to Dubai. Last year it handled only 198,000 passengers out of a capacity of 2m. However, officials hope to break even in eight years and claim that long-term traffic projections for the region provide grounds for optimism.

Laker Airways hopes to fly to Sharjah and would charge fares similar to its London-New York ones on what is currently one of the world's most expensive routes. Britain's Civil Aviation Authority has turned down applications for a terminating service and for a transit UK-Sharjah-Australia service, but these are under appeal; Laker also hopes an overhaul of Hong Kong regulations will remove obstacles to a London-Sharjah-Hong Kong service.

British Airways, a main operator of the London-UAE routes, offers along with Gulf Air a low season excursion of £459 return. Cheaper flights through bucket shops and on some smaller airlines can be had, but often the latter are inconvenient. In the UAE itself the introduction of new Iata-backed excursions this year has not stopped universal discounting; the airlines are now making a fresh effort to end the cut-price ticket war.

There are no simple internal UAE flights which do not require passports and immigration checks, and internal travel is normally by the rapidly built and impressive road network. Hire cars and service-taxis are readily available.

Telecommunications are unified under the Emirates Telecommunications Corporation (Emirtel). The UAE now has 1,000 international circuits where in 1972 there were 40, and has three satellite earth stations. In the first year after Emirtel was set up in 1976 the system grew by 70 per cent, and is now growing by about 25 per cent a year. Local calls are free.



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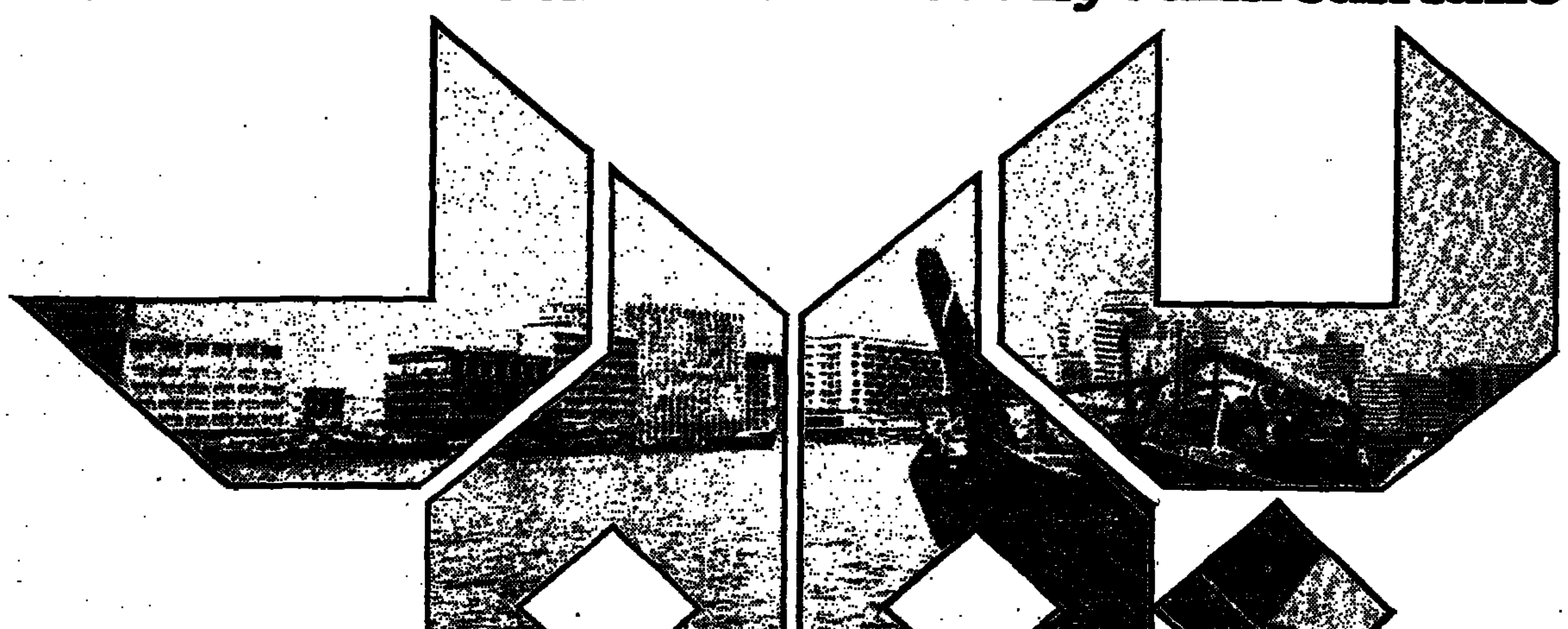
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A national grid still several years away

POWER

KATHLEEN EVANS

THE United Arab Emirates is, apart from a few isolated oases, a land of desert with scarce natural resources of water and an average rainfall of about 11 mm a year. And without electricity, not only do the lights and lifts stop working, but so does the air conditioning, and in a country where the temperatures hover around the 110° mark with 80 per cent humidity for several months a year, air conditioning is vital. Only the needy and the sturdiest expatriates would remain without it.

It is unfortunate that the power generation scene shows the Emirates at its most splintered. Abu Dhabi, Dubai, Sharjah and Ras al Khaimah all have their own independent power supplies, each unconnected to the other, so that if anything happened to one station, supply cannot be fed from another town.

Crippling

The cost of providing electricity and water for residents has proved a crippling burden for some rulers and the result has been a series of power cuts in a number of Emirates. Local governments have found the maintenance and equipping of power stations a costly exercise in independence, even with the subsidies on fuel given by the federal government.

With its large resources of gas, it would seem sensible for the UAE to aim for a single national power grid. However the Emirates have tended first to utilise their own oil and gas wealth for the immediate benefit of their own people and then second to supply the federation. Abu Dhabi is, however, about to supply some of its gas for Dubai to fuel its aluminium smelter. From there it would be a small step to make a union-wide commitment to supply gas not only to industry but to all other power stations.

Reliance on Abu Dhabi for such a vital service would require a change in political attitudes by some rulers. Federal officials say a 20 year plan has been drawn up with the aim of establishing a national grid, and then co-ordination of supplies among the Gulf states. The first move towards such a grid in the UAE would be the takeover of all existing and proposed power stations by the federal ministry, but even the most optimistic officials in the capital do not foresee this happening for another five to six years.

The federal Ministry of Electricity and water is one of the nation's smallest providers of electricity. Its installed capacity amounts to only 220 MW compared with Abu Dhabi's which is nearly four times larger. The ministry's budget for 1981 is just under Dh 900m compared with the capital's anual outlay of around Dh 5bn.

The largest project included in the ministry's five-year plan is the 100 MW power station and the desalination plant at Umm al Quiwain and its jurisdiction only covers the smaller Emirates such as Ajman, Fujeirah and Umm al Quiwain and the villages of Sharjah and Ras al Khaimah.

The ministry is becoming increasingly involved in the electricity problems of Ras al Khaimah where power cuts continue for days because the local government could neither afford to run its existing stations or *pay for the equipment in its* new plants.

The result is that local industry such as the cement factory is only running at 40 per cent capacity. The federal ministry has now been ordered to take over Ras al Khaimah's Galila I station and pay the outstanding debts to the contractors so that the plant can be started up. However this is expected to take a further six months. The ministry is also to undertake maintenance on the old diesel station which has surplus capacity. Even though the federal *government will in effect* be taking over the running costs of the Ras al Khaimah stations and be responsible for paying the debts on them and even recruiting the staff, the plants will still remain the property of the Emirate government.

The difficulties of Ras al Khaimah highlight what can happen when a non-oil Emirate tries to maintain its independence from the federation on such vital services as electricity. Sharjah is also facing further power cuts until at least mid-July when, following a rescheduling of its debts to an Italian contractor, its new power and desalination units will come on stream. The Emirate appears still to be thinking along independent lines and is studying the possibility of feeding its new found gas into its local power stations. Last year's suggestions about the possible handover of its stations to the federal *ministry appear to have died down.*

Abu Dhabi is untouched by such financial problems. Provision has already been made for the period up to 1990 when demand is expected to reach 2,100 MW. The city is coping with a growth in electricity demand of between 25-30 per cent a year, but this is expected to slow over the next decade to around 10 per cent as the population levels off. Demand in Abu Dhabi city last year was around 472 MW of which an *estimated* 20 per cent is industrial, and this year it is likely to reach 560 MW. Al Ain's own requirements will reach 230 MW this year also, but supply capacity in the whole Emirate will comfortably exceed demand for this year at least.

The department has three major development projects on its books. Abu Dhabi has recently signed a Dh 490m contract with Skoda of Czechoslovakia, Brown Boveri of Germany and Voest Alpine of Austria for a 320 MW steam turbine station at Umm al Nar. The existing station there is also to be extended by a further two units of 60 MW each. On Bani Yas island a further 100 MW station is to be built.

However, *by far the largest* project is the ambitious Taweelah plant, destined when completed in 1990 to have a total capacity of about 2,000 MW. This massive plant, located between Dubai and Abu Dhabi, has now been given approval and will be built in stages. The first phase of two units of 160 MW will soon go out to tender. Officials at the Abu Dhabi department of electricity say the Taweelah plant is intended to replace some of the Emirate's older power and desalination plants. "However, we are also thinking of providing 500 MW to other emirates," added one official. In addition the plant will produce 120m gallons of water a day, which assuming demand in Abu Dhabi is 70m g/d, will leave a comfortable surplus for other states.

Meanwhile shortfalls in water and electricity are expected until the new plants operate. Assuming a reserve for maintenance, the projected shortage on electricity next year will amount to 210 MW, and in 1983 the shortfall will be 140 MW. There are also expected to be difficulties in water supply.

The Abu Dhabi department is hoping to reduce the excessive use of water in Al Ain, where some 70 mgd is being pumped from natural wells for use in agriculture. By 1982-83 a pipeline will be laid between the city and Abu Dhabi carrying desalinated water to Al Ain so that the precious water table can be preserved.

'Absurd'

In the longer term, Abu Dhabi, like Kuwait, has its eye on the water resources of the Euphrates river of Iraq. An official said: "It seems absurd that we have to depend on steel and machines for such a vital thing as water. If we could pipe say 200m gallons a day from Iraq, it would revitalise the whole region." Although such a project has enormous political and economic dimensions, "at least the idea is there," the official said.

Dubai does not enjoy the natural gas riches of Abu Dubai and its current fuel bill is running at over Dh 400m. It is also placing large orders to ensure that it keeps pace with population growth and expected industrial demand. The Jebel Ali station is being expanded by three units of 75 MW and up to 3-6 mgd on water. The extension will cost around Dh 720m.

Because of the enormous sums involved in providing water and electricity for residents, it is unfortunate that so little effort has been given to making the public more energy-conscious. But water and electricity, as with cheap petrol, tend to be viewed as a birthright by citizens and the UAE has long subsidised the cost to the consumer.

Production costs in each of the Emirates range from 30 to 37 fils per unit of electricity, yet the public is only charged 7.5 fils. The net result is that water consumption, for example, is three times per head higher in the UAE than in Britain and it is not uncommon for residents to depart for the summer, leaving their air conditioners on.

In Abu Dhabi there is no charge for water and one official cheerfully admitted that to water his garden cost the government more than $270 a month. Such lavish consumption habits are going to prove one of the most expensive items on any Emirate's budget for years to come.

Market shows new signs of life

CONSTRUCTION

BRIAN GROOM

WHENEVER A senior official of Abu Dhabi's Water and Electricity Department stands still for a moment, short-sleeved and briefcase-carrying foreigners swarm from all corners of the room to thrust documents at him. "These contractors," said one official, "they are so aggressive."

Although there has been a downturn in construction in the northern emirates, the Abu Dhabi state sector has continued to provide a relatively high level of work. It has whetted the appetites of work-hungry international companies in an increasingly competitive market.

The real boom years of 1974-77 are unlikely to return, but even private sector property development is showing signs of life again in Abu Dhabi. The market collapsed four years ago throughout the UAE, but an Abu Dhabi Government decision to provide free accommodation for its civil servants has over-compensated for the problem, creating a shortage and forcing up rents. A definite building "mini-boom" is now under way.

Not that this greatly affects major international companies, who throw up their hands at the shoddiness of buildings put up in the early days of Abu Dhabi's growth. Serious dilapidation and structural faults have been caused by the use of salt sand in mixing concrete, either through ignorance or deliberate cost-cutting.

Opportunities

The best opportunities for foreign groups are in higher technology work, particularly in the oil and gas sector controlled by the Abu Dhabi National Oil Company (Adnoc) and its subsidiaries. Adnoc, which raised its capital from Dh 200m ($54m) to Dh 7.5bn ($2bn) at the start of the year, plans to spend Dh 38bn ($10.3bn) over five years.

Apart from the development of oil and gas fields, a 180,000 barrel-a-day extension to the 120,000 b/d oil refinery at the industrial city of Ruweis has gone out to tender; the original project cost $550m. Adnoc has also decided in principle to build a hydro-cracker there. Elsewhere, work is in progress to extend the older refinery at Umm al Nar from 15,000 b/d to 75,000 b/d by the end of 1983.

The most important oilfield being developed is the Upper Zakum, where French companies have won a number of contracts. Their strong performance in this sector pushed their share of Abu Dhabi's import market from 6.5 to 9 per cent in the first nine months of 1980.

Meanwhile, Adnoc is in a hurry to see site work start this autumn on the onshore Thamama C gas recovery complex, costing some $300m, some of the gas from which will be piped to the Dubai aluminium smelter. Offshore, one of the biggest projects pending in Abu Dhabi is a new LNG/LPG tank farm on Das Island, estimated at $500m. A new permanent work camp for contractors is planned for the island, which symbolises the work which will continue to be available.

It is general infrastructural work, however, which has surprised contractors by remaining quite plentiful. Much of it is second-stage work. The UAE is now provided with black-top roads within and between the main centres, for instance, but Abu Dhabi municipality has under way a $1.5bn scheme to improve its road system with 98 intersection improvements, 18 interchanges and three bridges linking the island capital to the mainland and to Hodaryat and Sadiyat islands.

Among projects coming to fruition is the Dh 1.2bn ($325m) New Abu Dhabi International Airport. However, the Dh 489m ($133m) airport for Al Ain is unlikely to be completed before the end of 1983.

Large electricity projects are planned, the biggest being the Tawila power station near the border with Dubai. Mr Sayah Musa, under-secretary at the Water and Electricity Department, describes its eventual size as "unlimited," but observers have been talking of 1,500-2,000 Mw and $1-1.5bn. Bids for the 300 Mw first stage costing over Dh 1bn ($271m), will be received in a couple of months.

It has been accelerated by a *predicted shortfall in supply,* which has also prompted a plan for the rapid building elsewhere of two gas turbine generators.

A substantial amount of defence work is available, although little of it goes to well-known international contractors. A huge $3bn military complex is being built at Sweihan.

Much of Abu Dhabi's planned infrastructural work is likely to be completed by the mid-1980s, and apart from replacements and repairs development prospects may then depend on industrialisation and oil and gas.

A downturn has already taken place in the northern emirates. Out of current firm contracts there of some $5bn, over $3bn is accounted for by the Dubai aluminium smelter, which will shortly reach full production, the Jebel Ali port, *where much of the heavy civil* engineering is finished, and the Dubai dry dock, virtually finished 18 months ago. British companies had a substantial part of this business, and the failure to win enough contracts of comparable size has been undermining the UK share of UAE imports.

Partnerships

Abu Dhabi-based contractors claim that others have been moving down from the north looking for work further *tightening a market already* squeezed by the increasing preference being given to local companies. Apart from a tendency for some federal contracts to be restricted to local companies only, particularly in the northern emirates, preference in Abu Dhabi can be given to local companies even if the price is up to 10 per cent above that offered by foreign contractors.

A growing number of foreign companies are thinking of "going national" by forming a partnership in which the local interest *is* 51 per cent, the advantages of which include 25 per cent advance payment.

Another development is the prospective classification of contractors, both in Abu Dhabi and federally. International companies welcome this in so far as it will prevent difficult contracts going to inexperienced *groups, but are anxious lest it* hinders them from tendering for contracts which are considered below their level.

Abu Dhabi is a difficult and often slow market. The authorities tend to go for the lowest bid, and this has resulted in undercutting by companies who hope somehow to bump up the price later on. Public sector contracting often begins with a list of prequalified companies which is "frighteningly large in some cases," as one observer put it, and after the opening of sealed bids haggling takes place. Occasionally a rebid is called; the system of compulsory local agents means that powerful local interests are involved in the jostling.

The tendency to go for the lowest bid does not apply to Adnoc, which tends to share work among competent companies which it knows well. More generally, it is virtually essential to have a local office as well as a good agent or partner to win major contracts in Abu Dhabi. This can be expensive, but mistakes made through lack of local knowledge can cost even more.

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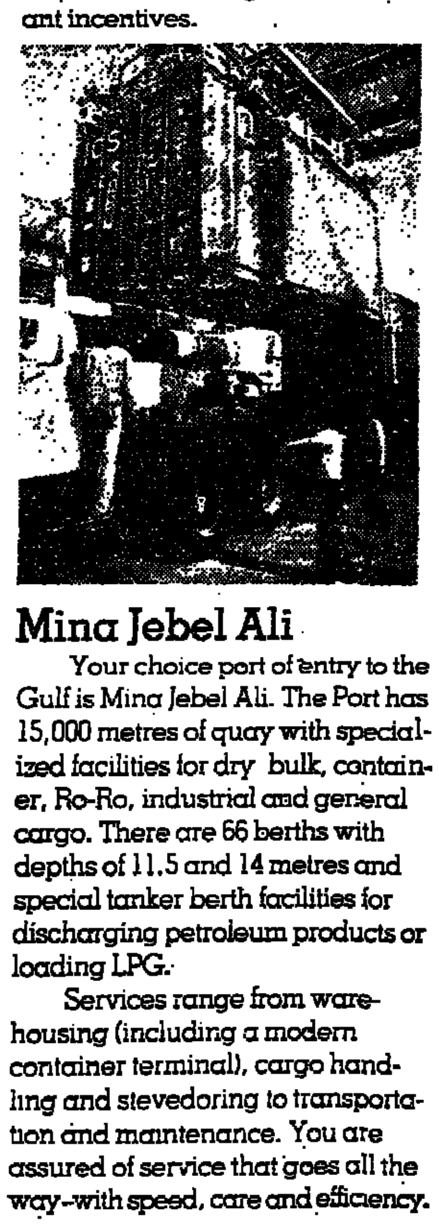

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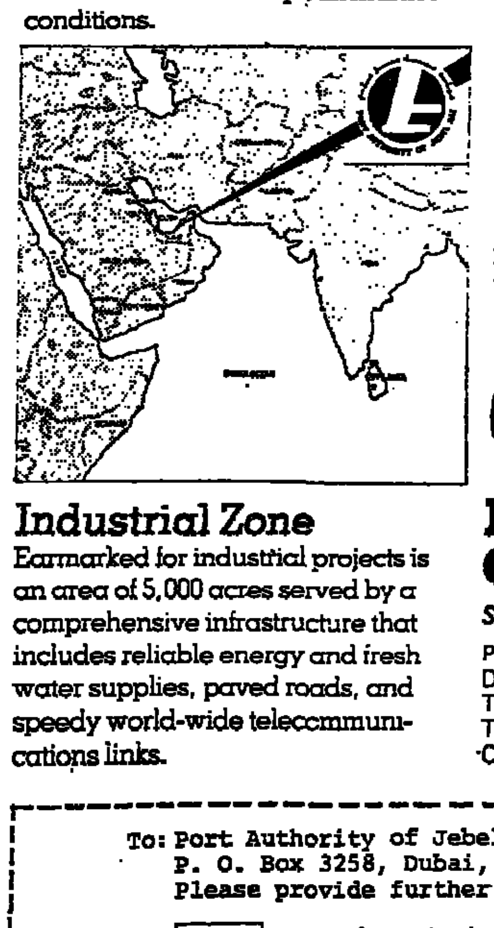

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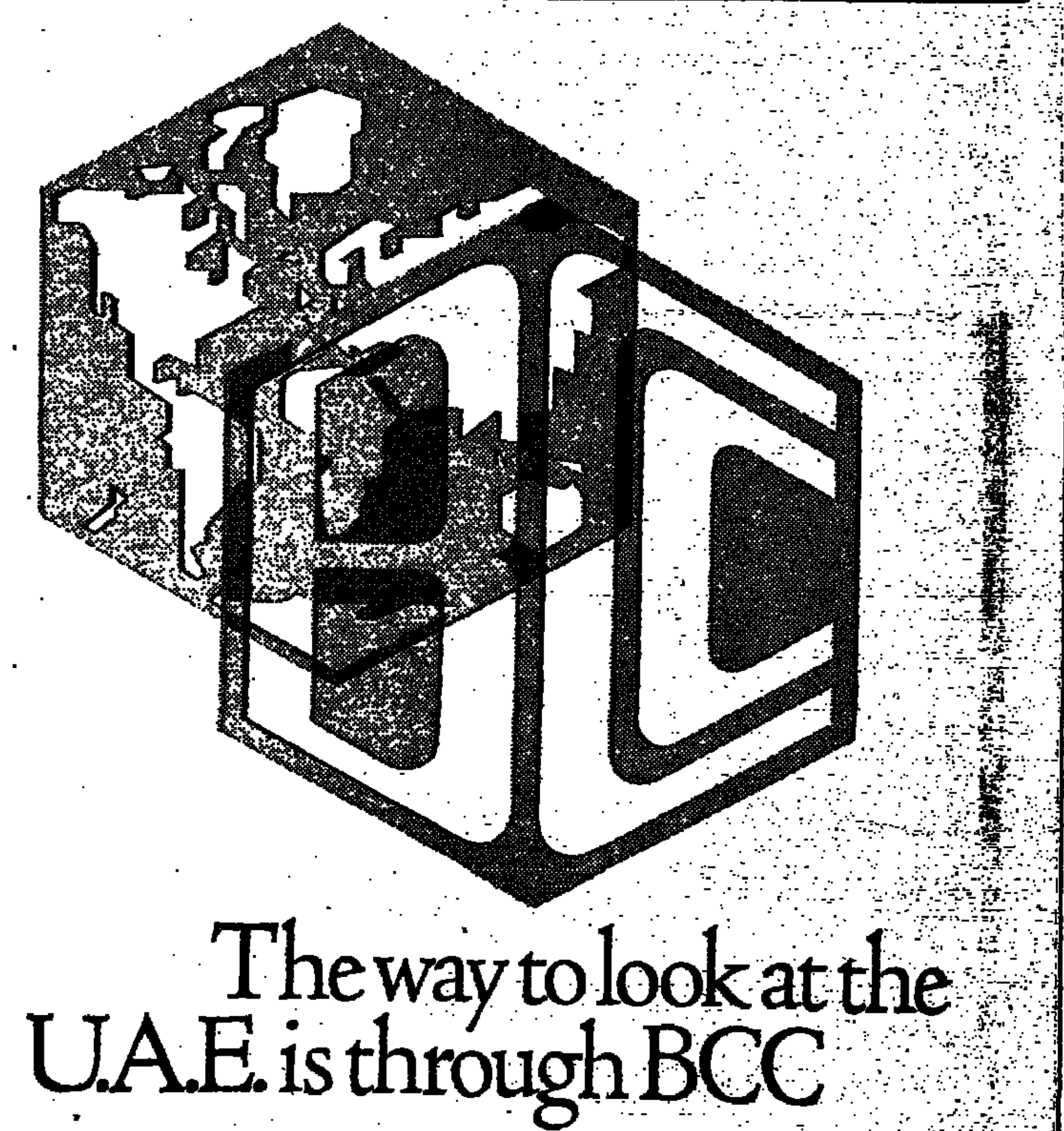

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Savage competition to sell in an expanding market

TRADE

BRIAN GROOM

VISITING foreign dignitaries, a familiar sight in the UAE since its oil-fired expansion began, have been arriving so fast recently that they have almost had to queue up at the airport. Mrs. Margaret Thatcher, Herr Helmut Schmidt and Mrs. Indira Ghandi have all been. Strategic issues are often in the forefront of visitors' minds, but not far behind lies a desire either to ensure security of oil supply or to improve their country's export chances.

Competition to sell to the UAE is savage, and it is easy to see why. Imports are more than five times what they were in 1974 by value. They may not be growing at the 50 per cent rate of 1975 and 1977, but official statistics put them 34 per cent up in 1980 at an estimated Dh 35.5bn ($9.7bn) after a 29 per cent rise in 1979. Even allowing for inflation there is substantial growth.

"The market will remain promising for ten years at least," says Mr Samir al Droubi, director general of the Abu Dhabi Chamber of Commerce and Industry. Exporters are mindful of the damage any political instability in the region could do to that prospect, but the emirates are too lucrative a market for them to be put off by unrealised fears.

Oil is the key

Oil exports, which account for around 87 per cent of the UAE's total overseas merchandise sales, make such rapid trade growth possible. Revenues from them have increased by an average of 51 per cent in each of the past two years because of price increases, even though output in 1980 was down from around 1.82m barrels a day to about 1.71m.

The UAE's trade surplus, after declining in 1978, nearly doubled in 1979 and rose in 1980 to an estimated record $13bn. The current account has shown a similar pattern, reaching an estimated Dh 24.7bn ($6.7bn) surplus in 1980, while there have been overall external account surpluses of $2.5bn in 1979 and $5bn last year.

A number of factors distort UAE import figures: a large part of Dubai's imports are re-exported—and the re-exports largely unrecorded—a phenomenon enhanced by transhipments for war-torn Iran; and goods destined for Abu Dhabi are often imported via Dubai. Even so, it is clear that Britain has been doing poorly of late in the UAE market, while France has been doing well and Japan, usually the leading supplier, has held its own.

British exports to the UAE were 18.2 per cent down in January 1981 at £42.8m, compared with the previous January, according to UK figures. While British sales to Abu Dhabi increased marginally, exports to Dubai slumped by 39 per cent to £28.3m. The downturn is largely associated with a decline in construction work in Dubai and the northern emirates, where major projects are being completed and where Britain had a good share of the business.

One month's figures are of limited significance, but the UK's position could worsen further unless significant contracts are won. Britain's market share has gradually shrunk. Whereas it had 26.5 per cent of the UAE market in 1970, its share of Abu Dhabi and Dubai imports was down to 14.8 per cent in the first nine months of 1980. However, it remained the second largest supplier, and the value of British exports to the UAE has risen enormously since 1970. The UK also has a good record in invisible trade: the British banking presence in the UAE is considerable, and a good deal of consultancy work is done.

Mrs. Thatcher's enthusiastic approach to arms sales resulted in an export boost during her visit to the UAE in April, when Abu Dhabi decided to buy Britain's Hawk trainer aircraft for the federal defence force rather than its main rival, the Franco-West German Alpha. On her return, the Prime Minister made known that she intended to forge closer links between the Government, major manufacturers and banks to stimulate an export drive to the Gulf where UK companies have lost market share since the withdrawal of British forces from the region in 1971.

The French, meanwhile, have recently been making considerable inroads in Abu Dhabi, where most big new construction contracts are to be had, particularly in the oil and gas sector. Between January and October 1980 the French share of the Abu Dhabi import market increased from 6.5 per cent to 9 per cent.

France's improvement is expected to continue for a further year as development of the Upper Zakum offshore oilfield continues. Compagnie Francaise des Petroles, which has a half-share in the Zakum Development Company, is developing the field, and French companies have won a number of contracts there.

Observers put the desire to ensure oil supply prominent among the reasons for French and Japanese keenness to be enthusiastic trading partners. Japan is the leading buyer of UAE oil. Last year it took 33.8 per cent of Abu Dhabi's oil, while France took 10.9 per cent. The U.S. took 11.1 per cent, the Netherlands 7.5 per cent, West Germany 6.5 per cent and Britain 3.4 per cent.

Japan must also make sizable merchandise exports to pay for its oil imports—and the open UAE market, with few home industries to complain about Japanese incursions, is a great attraction.

The five-fold growth in the UAE's population since independence to more than 1m, along with high personal income and wealth, and also the growth in re-exports, has sucked in the kind of consumer goods which the Japanese excel in making. They have performed particularly strongly in motor vehicles, electrical goods and office equipment.

Official UAE figures put Japan's exports marginally second to Britain's in 1979, at Dh 973.9m ($264m) or 17.4 per cent of the total, but figures for Abu Dhabi and Dubai together for the first nine months of 1980 put Japan back in front. Western Europe, Japan and the U.S. together provide over three-quarters of the UAE's imports.

Expensive

The UAE has had to import a great deal of food as the population has grown. The country's somewhat unrealistic aim is self-sufficiency in food production, which even if it could be achieved would be highly expensive. As things stand, officials claim that the UAE produced 37 per cent of its own food requirements in 1979-80.

It is important to realise that the UAE is not one homogenous market. Dubai, which accounts for two-thirds of total imports, was a considerable trading centre before oil was discovered in the region, and has since used the oil money to build up its role as a re-export and transhipment centre.

Dubai's imports increased 18-fold in the decade 1970-80, according to the Dubai Chamber of Commerce, and some 50 to 90 per cent of them are believed to be re-exported. Imports in 1980 were Dh 19.55bn ($5.3bn). The traditional dhows have done a roaring trade in transhipments particularly since the start of the Iran-Iraq war.

As for the future, changes to the UAE's trade patterns will depend on industry. Industrialisation has already shifted the balance of the UAE's non-oil exports away from scrap metal, hides and skins and towards manufactured goods.

Much of the imports of the past 10 years grew out of the massive infrastructural spending, but observers believe a 114 per cent rise in imports of intermediate goods last year reflected the fact that several small-scale manufacturing units are now operating.

Officials, generally intend that any new industries should not rely too heavily on imported raw materials. Import substitution is also a common official aim. Furthermore, any major industrial development is likely to be capital-intensive in line with the desire to restrict the growth of the immigrant population. This latter aim could help to stabilise the demand for consumer goods, although the re-export trade may keep imports of them high.

Fund gives help to 50 states

AID

KATHLEEN EVANS

THE UNITED Arab Emirates is one of the world's more generous nations in the provision of aid, lending between 7 and 9 per cent of its gross national product every year to the lesser developed countries. That is about 30 times higher than the ratio given by the United States.

Despite such a commendable record, the UAE is remarkably shy about exactly how much is given away each year. It is thought to be between $1bn and $1.5bn though no figures are ever published.

The role of the Abu Dhabi Fund for Arab Economic Development is relatively small when compared to the overall aid picture and to the commitments of the UAE to pan-Arab, OPEC, African and international funds.

Equity participations listed in last year's federal budget amounted to around Dh 1.6bn compared with Dh 498m in 1979, although the increase also reflects the gradual takeover by the federal government of aid previously donated by Abu Dhabi.

The reason for the secrecy about the exact size and direction of its aid is part political and part religious according to Mr Ebrahim Fayez of the Abu Dhabi Fund. "Islam says that if you give to charity with the right hand, the left hand should not know about it—in other words you should not boast about it." The religious aspect is also an important element in Abu Dhabi's aid programme, for Islam dictates that at least 2.5 per cent of one's income should be given to charity.

Mr Nasser Nuweis, the fund's director, adds that oil wealth is a comparatively new experience for Abu Dhabi, and it was not so long ago that its citizens existed close to subsistence level. "Perhaps therefore we understand the needs and sufferings of the poor countries better."

Ten years

The Abu Dhabi Fund is helping some 50 countries around the world in about 78 projects. The fund is celebrating its tenth year of existence and its sixth year of loan operations, the first four years being devoted to securing the experts and technicians to run and assess applications. ADFAED's staff totals 110, of which some 30 per cent are engaged in project lending. To date, the organisation has provided Dh 3.5bn in loans.

"We look at projects which would otherwise have no chance of getting off the ground commercially," says Mr Fayez. "That means infrastructure projects, such as power and water generation, industrial plants, which will generate foreign exchange or create employment where it is needed, and agricultural projects." Many of the potential recipients take a long time to identify their needs and on occasions the fund has financed commercial feasibility studies to help countries work out their priorities and assess whether particular projects are financially viable.

Of the aid already committed, some 53 per cent has gone to industry, 24 per cent to electricity and water projects, 10 per cent to transport and roads, 10 per cent to agriculture, and the remainder has gone towards financing tourism and hotel projects.

Unlike some of the other Arab funds, the Abu Dhabi organisation is not forbidden to take shareholdings in a project and thus its name is frequently seen alongside commercial banks in lists of equity partners. "This does not mean we are going for high return projects," explains Mr Fayez, "but, for example, in the case of the phosphate project in Tunisia, we felt it was a development project which would create employment. In other cases, some of the projects may look strictly commercial on the face of it, but we aim to increase the foreign exchange earnings of the country."

Co-operation

Many applications for aid are received via other aid institutions in the Gulf. Arab funds are co-operating more closely and meetings are held every six months to discuss future potential lendings. Co-operation can take the form of one fund sending its experts to assess a particular project and its findings being utilised by a separate aid organisation. Under its charter the ADFAED is forbidden to lend more than 50 per cent of the project's total cost and ten per cent of its capital.

This rule has been eased in the case of Oman, which is now the fund's largest recipient of aid. The Sultanate is scheduled to receive Dh 723m, largely for oil and pipeline developments with the fund directly paying for the Omani Government's share in oil projects.

Tunisia is the second largest recipient with Dh 410m followed by Egypt with Dh 258m, which it is continuing to service despite the Arab boycott. The Arab world still continues to dominate the fund's lending. Out of a total Dh 3.3bn commitment, some Dh 2.7bn have gone to Arab states, while the African world has secured Dh 189m, the Asian countries Dh 316m, and others Dh 1.28m. In 1980 loan agreements worth Dh 1bn were signed with such diverse places as the Cape Verde Islands, Lesotho, Gambia and Guinea-Bissau.

The rate of disbursal is rising rapidly. In 1977 it stood at Dh 393m, but in 1979 and 1980 it jumped to Dh 573m and Dh 673m respectively. This year it is expected to reach around Dh 500m to Dh 550m, which when considering that the total disbursals now amount to Dh 2.08bn, would indicate that an increase in capital is urgently required.

Loan repayments are also steadily going up as is investment. Next year this is expected to amount to Dh 319m followed by Dh 363m in 1983. An announcement on an increase in the capital which currently stands at Dh 2bn is expected shortly. Local observers believe it will be doubled. It will be a fitting announcement for the fund as it reaches its tenth birthday.

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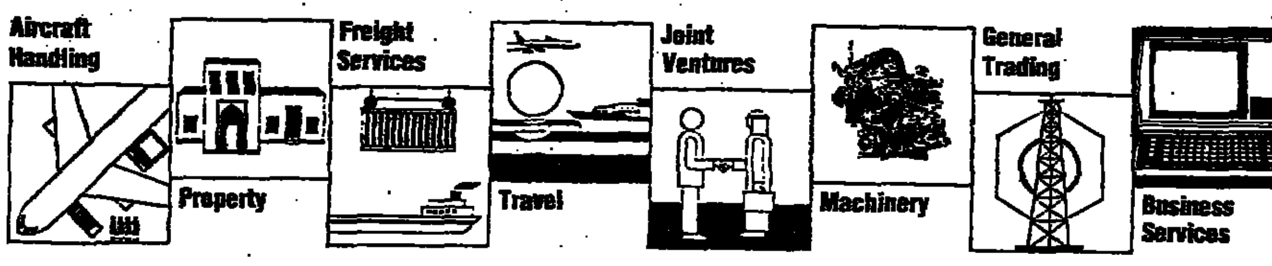

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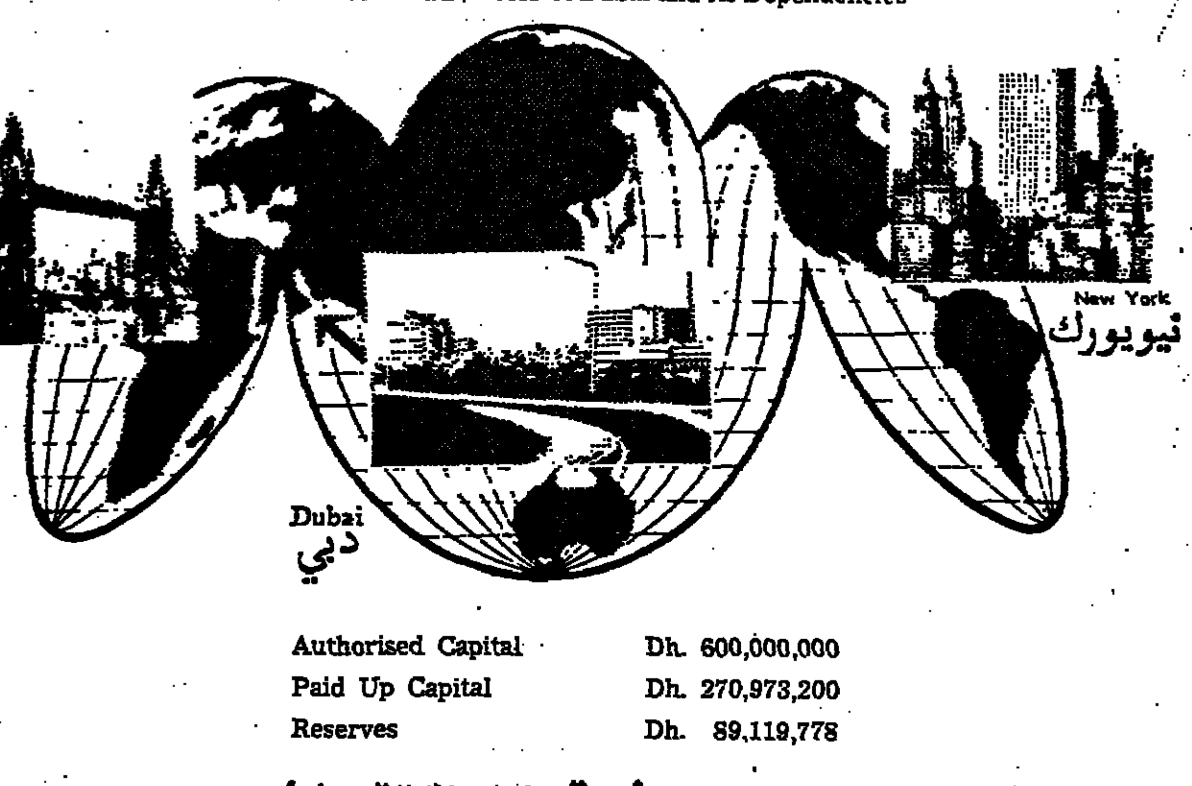

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Need for radical re-thinking at the top

POPULATION AND MANPOWER

KATHLEEN EVANS

IF THE UAE does nothing about the issue of immigration growth and if the economy continues on its present path then the indigenous population could end up as only 10 per cent of the total by the end of this century, according to international experts.

The country's planners believe that with careful management of the economy, this nightmare scenario can be avoided. First there needs to be some drastic re-thinking at the top. So far there are few signs that the population issue has started to have much effect on practical economic decisions taken by the government. Commercial success is still measured in any emirate by the number of new projects, the size of budgets and full apartment blocks.

Mr Said Ghorbash, the country's planning minister, believes the issue of population is now more seriously considered than it was three or four years ago. In the meantime, as if to hedge its bets, Abu Dhabi's city planners are working to provide for a city district of 1m residents—three times what it is now—just in case the city continues to grow as vigorously as it has in the recent past.

Only 13 years ago, UAE nationals constituted 90 per cent of the population. By 1973, the totals had doubled and the ratio had slipped to a half. Last year's census showed a figure of 1.04m residents, of which an estimated 27 per cent were nationals. If the population reaches to 1.3m the nationals will be only one fifth, and anything beyond that they become an increasingly small minority in their own country. As one observer put it somewhat harshly: "The Arabs will continue to get the money, but the others will get the country. But over a long period, you cannot maintain power—that's a simple fact of history."

Sensitivity

Yet the growth in the population is rarely discussed openly. There has never been any in-depth debate about the subject in the National Assembly because of its sensitivity. Reports or surveys of the economy which might contain population projections are well hidden, and the all-important ratios of nationals to foreigners rarely surface in the government media.

As a result the issue appears to have become the key target of the embryonic opposition in the UAE. Until the authorities do openly discuss population it seems likely that the fears harboured by the country's young people of being swamped by the foreign inflow will grow and opposition strengthen.

The five-year plan shortly to be issued by the Ministry of Planning is the first attempt by federal planners to point the decision-makers in the right direction. The main ambition of the plan is to allow the economy to continue growing while maintaining a stable population at about its present level. Among its targets is getting the proportion of nationals back to at least a third of the population and to ensure that they hold senior management positions affecting the country's economy and internal security. The officials who drew up the plan do not yet know just how explicit the final version will be in terms of population but hope that at least their work will be published in sufficient detail to promote discussion.

Terry Kirk

A complex of 105 villas nears completion at Madinat al Kramah in central Abu Dhabi. Built by Costain International, each has four or five bedrooms. Rents start at £25,000 a year

A number of ways are suggested for increasing the ratio of UAE nationals in the overall population and in particular among the workforce. The UAE labour force is believed to total around 540,000 of which just under 70,000 are citizens. Of the bulk of the 475,000 foreign workers by far the largest category are unskilled labourers.

The reason for this imbalance is the continued predominance of the construction sector. There are estimated to be 150,000 foreign workers—for imports for that sector far exceed any other—employed in construction compared with under 5,000 in the petroleum industry which is the heart of the UAE economy.

Ministry of Planning officials believe that the dominance of the construction sector will lessen in the future. "You can't build a road twice and most of the major infrastructure projects are now completed," said one official. However Abu Dhabi has other large projects under way, particularly in the oil and defence areas, and work permits issued for these sectors alone have reversed a downward trend in employment visas for the first time in a number of years.

However, this may be a temporary phenomenon. For in the longer term officials expect the unskilled workers to be replaced by more highly skilled immigrants and technicians who will be required as the major industrial projects near completion. Over the next five years it is hoped that some 300,000 unskilled workers will leave, and will be replaced by fewer but higher calibre staff, leaving a net loss in population of 70,000. Some action may also be taken against the 50,000 illegal immigrants believed to be in the country.

The UAE does in fact carry a lot of surplus labour. One of the principal architects of the country's five-year plan likes to tell visitors of the time a team of painters came to decorate his office ceiling. "One put up the ladder, one held the bucket to catch the drips and the third one did the actual painting." Such scenes are not of course confined to the UAE, but one planning official in Abu Dhabi estimates the country could safely send away some 70,000 workers without really noticing this difference.

Upgrading

Coincidental to this planned pruning in the foreign workforce, the national content of the labour force could be easily upgraded it is thought. One official suggests that, with vocational training courses, drivers could be made into mechanics. Nationals in low level jobs such as messenger and coffee boys should be given literacy courses and incentive schemes be organised to promote self-improvement. Government departments should be encouraged to desist from employing nationals in such positions without in-built training programmes.

At the higher level of educated nationals, the competition between the various ministries and government departments is going to be fierce because each will be seeking its share of citizens. One of the targets of the plan is to create 5,000 graduates, but officials ruefully admit that at that level it is more than likely that the private business will prove more attractive. "Even so, if these nationals do go into business, this will not represent a loss so long as they actually manage their companies. We want to eradicate the sleeping partner syndrome, because it is all too easy for a national to sit back and reap the benefits of his partner's and employees' efforts. They must become more involved in their companies in order to have economic control."

New problems

At the moment with the maturing of the Al Ain University and the departure of the first crop of students, the UAE is absorbing 500 graduates a year. Many of these are attracted to the more interesting ministries such as foreign affairs and petroleum while for girls the work is still only acceptable in the fields of education and social welfare. Some officials believe that the influx of nationals will throw up new problems as they will expect to move into the higher positions immediately.

Planners are now building an occupational matrix so that each needy government and economic sector, particularly those sensitive departments such as defence, police and the intelligence services, secure the minimum number of nationals needed to maintain control in those areas. "It's too late to plan for the present generation of students," commented one official. "You can't make an artist into an engineer no matter how much you need them." Indeed the arts and political science faculties are the most popular at Al Ain University.

The planning ministry advocates an expansion of the meagre vocational training facilities and the giving of much more thought to the needed results of the education system. The UAE cannot afford to over-produce in arts and the humanities when it needs engineers, financial experts and defence specialists. A list of priorities has been drawn up by planning officials together with other sections of the Government so that in future sensitive departments do not have to drop below certain levels on their ratios of nationals.

As the foreign population declines so will its social character, the planners hope. The population of Abu Dhabi is 75 per cent male. This is socially unhealthy and means also that large groups do not make use of the town's commercial amenities. One skilled technician and his family requires as many services as 10 unskilled labourers and yet the benefits socially and in terms of stability are much greater.

Such a scenario of stable and contented family communities of foreign workers is a long way off, for the bulk of incoming labourers are still in the semi-skilled category and live in labour camps outside the city areas and on construction sites. In theory, such workers are protected by legislation as to the accommodation which is provided for them, but contractors admit that abuses do occur.

Wages for working a 48-hour week in temperatures which often go above 40 deg C are a meagre £100 to £130 a month and it is market forces rather than cost of living or inflation indexes which set the pattern of wages in the UAE. Strikes are strictly forbidden and any workers' representation of employers have in the past been met with deportation orders.

Workers' rights and entitlements are now more fully protected by law and have been aided by the very active labour courts. (Dubai courts alone try around 150 disputes every month.) However once locked into a contract, this category of labourer cannot change his job even if better paid employment is offered. This has to some extent created a measure of exploitation but has prevented also a spiralling in wages in the construction industry and other sectors. But, as always, more thought is given when fixing wage rates in the UAE on just how good those dirhams look to an Indian or Pakistani back home. That philosophy is beginning to permutate the wage levels for more senior Western expatriate jobs as Europeans flee the growing unemployment and recessions of their home countries.

To many races, be it English or Indian, the UAE still looks to be a land of opportunity. The problem for the UAE over the next few years will be how to attract those they need and keep out those who need to come.

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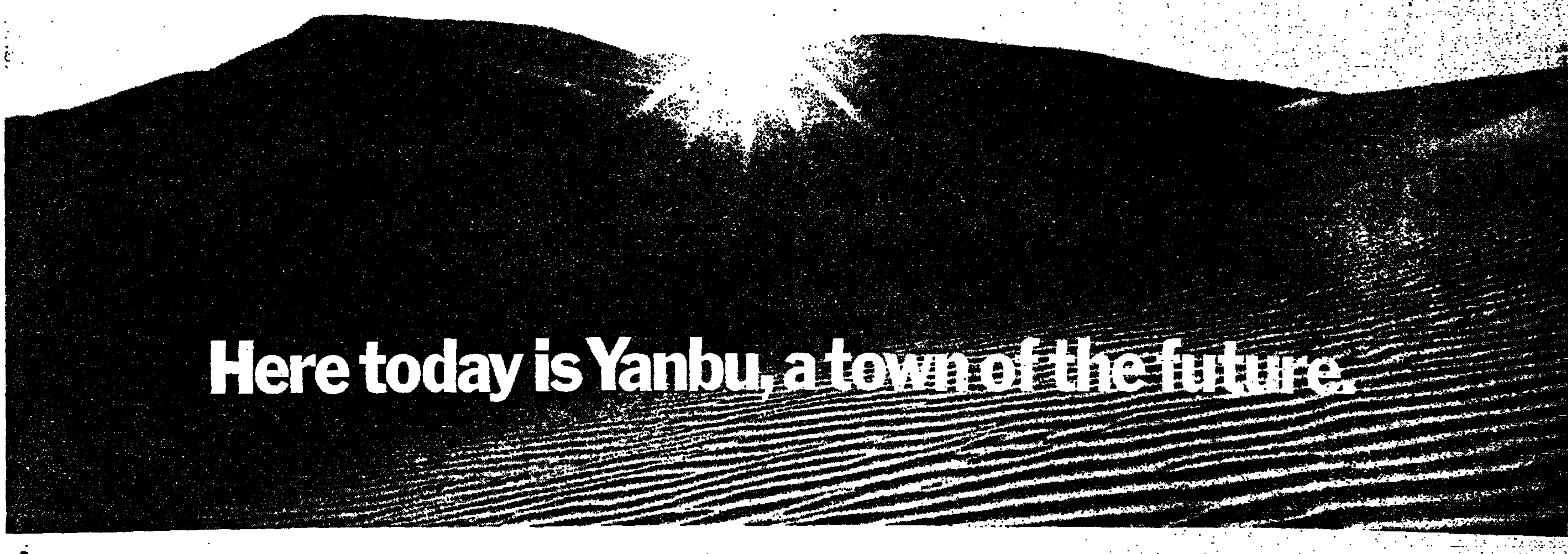

Here today is Sirti.

Where two years ago there was only the desert, today there is Yanbu, to become the industrial city of the future.
The whole telecommunications system, considered one of the most up-to-date in the world, will be built by SARTELCO, the Saudi Arabian subsidiary of SIRTI Italy.

Sirti
Gruppo IRI - Stet
Italian work for the development of telecommunications all over the world.

Paul Cheeseright, World Trade Editor, says the strains on the world's trading system may yet precipitate a 1930's—style crisis

Why the protectionist danger is growing

IVY, builders say, should not be planted against the side of wooden houses. Eventually it will infiltrate between the boards, pushing them apart. Soon there will be leaks. Ultimately the structure may fall down.

The ivy has been creeping across the walls of the international trading system for some time. A host of country-to-country, industry-to-industry agreements seek to control the flow of goods. In the process parts of the open trading system, on which post war international prosperity has been built, have closed.

Such agreements in one form or another have been in place for over 30 years, ever since there were restrictions in the late 1940s on the sale of U.S. goods in Europe.

The latest and most dramatic example has been the result of the pressure of Japanese car exporters on the markets of the EEC and the U.S. This has resulted not only in agreements which restrain Japanese sales, but in renewed animosity against Japan, without whose co-operation the trading system cannot work.

Mr Zenko Suzuki, the Japanese Prime Minister, has thus been told during his present tour of European capitals that Japan should moderate its export drive. Yet Japan, a powerful but not omnipotent competitor, is breaching no international trading regulations.

Rather, its success in the export markets is posing a test for sectors of the recession-hit European and U.S. economies, causing governments to search for means either of avoiding the test or putting off the moment when they have to deal with it.

So far governments have resisted any sledgehammer attack on the trading system. Such an attack would mean sharp rises in tariffs and the imposition of general quotas on a wide scale, after the fashion of the 1930s. Then, as countries closed their borders to imports, the system simply seized up: the power to produce remained, the ability to distribute was removed. The lessons of that experience have been well learnt by western governments; the dangers of outright protectionism have become well-established rhetoric. But governments are coming under growing pressure to shore up their own industries. The danger now is of "creeping" protectionism.

The most obvious villain is recession—world trade grew only one per cent last year and the prospects this year are equally gloomy. There are, says Mr Arthur Dunkel, the director-general of the General Agreement on Tariffs and Trade, "very real difficulties being encountered by a wide range of industries in many countries, and an equally widespread tendency to blame these difficulties on foreign competition." The U.S. and EEC steel industries are cases in point. Pressure from such industries for protection at home has a powerful impact on their Governments.

In these circumstances Governments have four broad options:

(1) They can argue that obligations under the General Agreements on Tariffs and Trade (GATT) demand that the market be left open and that the industry in question should quickly adapt and compete. This has been the position of the West German Government (although there are now some signs that it could be changing).

(2) They can seek temporary relief by using the GATT provisions on safeguards, which allow import barriers to be raised when a sudden surge of imports damages domestic industry. But there is international argument on how such provisions should be used.

(3) They can ignore the GATT and raise tariffs or impose a quota. France has done this with Japanese cars. By simple administrative action they are held to a three per cent share of the market.

(4) They can seek to fudge all of these issues by persuading the exporter to exercise "voluntary restraint." This has long been the case for Japanese cars in the UK. Such a technique has more recently been adopted by the U.S., West Germany and Belgium, also in regard to Japanese cars. One of the advantages of such agreements, noted Mr John Biffen, the Trade Secretary, is that "they avoid the high political profile. You can act without technically challenging GATT."

But government are not entirely free agents in the way they respond to these factors. First they rely on open markets for the sale of their own industrial products and cannot deny access to their own market if they want continued access to others. Mr Dunkel calls this "a kind of balance of terror."

"Governments have feared that if they restrict, say, imports of low-cost textiles from an inconveniently competitive supplying country, that country might, in turn, close off its own valuable export markets," he says.

On the other hand most government also face strong domestic pressure to "do something" about imports. Statements like the one in the recent UK Government White Paper on Trade Policy—"open international trade promotes economic growth and the satisfaction of consumer needs and acts as a valuable spur to efficiency and innovation"—are not immediately relevant in the steel towns of the north of England or Ohio when the main source of jobs has just been closed down.

Confronted with these two factors, there has been a tendency for governments to seek palliatives to push back the basic question of, say, the ability of the U.S. and European industries to compete with Japan.

Japanese competition in cars, Singaporean competition in electronics, South Korean competition in textiles, Brazilian or Polish competition in shoes — none of these might have appeared quite so painful to traditional western producers had international trade been growing at the pace of the 1960s.

But years of sluggish growth have exposed the straints in the system. Informal quota deals have been struck, like the one Britain has with Singapore and South Korea on electronic imports. Then there are agreements like the Multi Fibre Arrangement which theoretically allows developing countries controlled and growing access to western markets but which actually can subject them to rigid quotas.

To resurrect the analogy, these types of restrictions are the ivy on the international trading building. In themselves they may have only limited significance. Collectively they mask fundamental shifts in economic power.

Since World War II, one basic principle has underpinned the trading system. This is that no country should give special trading advantages to another in, for instance, the form of lower tariffs. Equally, of course, no country should be deprived of privileges in a market by facing barriers not generally applied. This is the principle embodied in the GATT which came into force in 1948 and has been the main instrument for defining and adjudicating the disciplines inherent in promoting world trade. Its rules are applied by about 120 countries.

But the GATT was fashioned very much in the image of U.S. ideals of free enterprise, although the U.S. was forced to accept considerable modification of the ideal to take account of the weakness of the European economies after World War II. It accepted, for example, initial discrimination against its own goods. The GATT, however, was a reflection of U.S. trading power—free access was in its interest.

"During the 1960s and even more obviously in the 1970s, however, the conditions that underlay the American interest in supporting the principles of the GATT began to disappear." Professor Raymond Vernon of Harvard University has argued. "For one thing the degree of dominance of the American market in world trade was gradually declining, a fact that led other countries progressively to question the right of the U.S. to leadership in the trading system."

In this regard a key element has been the rise of the EEC as a world trading power. It has brought with it a panoply of preferential trading agreements with former European colonies which have inevitably cut across the original GATT principle of non-discrimination.

The U.S. and the EEC are now, however, only two of the three pillars around which the world trading system revolves.

"There are very real difficulties being encountered by a wide range of industries in many countries and an equally widespread tendency to blame these difficulties on foreign competition," Arthur Dunkel, right, director general of GATT.

The third pillar is Japan, whose economic growth — it was actually classified as a developing country which it joined GATT in the mid-1950s — epitomises the challenge to those nations which originally conceived the world trading system based on the GATT.

And the international power system is becoming even more diffuse. Behind Japan is a group of other countries, loosely labelled the newly industrialising countries, like South Korea, Hong Kong, Argentina, Brazil, not to speak of the Comecon (East European trading bloc) nations, which are playing a steadily larger part in world markets. Their competition in basic industrial and consumer products has become more acute.

The Western nations have been seeking to absorb such countries in the GATT, while at the same time seeking to redefinition of the conditions under which they can safeguard their markets from damaging imports. The failure to conclude these negotiations is one reason why informal agreements on sales restraint have proliferated in recent years. The effect is to deflect the competition and economic change the GATT was originally designed to enhance.

Behind this is the problem of reaching a definition of what constiutes fair competition when labour and social conditions in the newly industrialising countries differ so radically from those in the west. The tradin gsystm is made up of different layers of nations, each at different stages of economic development. The major difficulty is to make the system work so tht a nation can clamber from one layer to the next without upsetting the structure as a whole.

† *International Economic Relations in Transition by Raymond Vernon; The World Economy, Volume 4, No 1: Trade Policy Research Centre, London.*

WHY GATT WAS FORMED

THE General Agreement on Tariffs and Trade (GATT) came into force in 1948 with an original membership of 23 nations. It is a set of rules for international trade, designed to promote the movement of goods. It has been much more successful in the industrial than the agricultural area.

The GATT has been the focus of the efforts to reduce tariffs on trade. There have been various rounds of tariff cutting —in 1947, 1949, 1951, 1956, 1960-61, 1964-67, (the Kennedy Round) and most recently 1973-79 (the Tokyo Round).

The Tokyo Round, whose results are still being brought into effect was notable because it began to address a wider area, producing codes to govern anti-dumping, subsidies and countervailing duties, customs valuations and government procurement policies.

Although the basic principle of the GATT is non-discrimination, it does allow regional groupings, like the EEC, provided that such groupings do not become exclusive trading blocs and increase the level of tariffs to the outside world.

There has been a conscious effort to prevent the GATT from becoming a club of the richer nations and procedures have been evolved to draw in developing nations while not expecting them to take on all the obligations of keeping their own markets open.

The most contentious issue in the GATT now is the adequacy of Article 19, which permits safeguards against imports causing damage or domestic injury. At present safeguards are traditionally applied against all suppliers of the product in question, but some developed countries would like to apply them selectively.

Letters to the Editor

Export and be damned

From Mr Alan Bramley

Sir,—The spots of the leopard are revealed one by one it seems.

Over the past 18 months when the pound was rising to the detriment of exports for many small and medium sized companies, the Government did absolutely nothing to increase the support and services to those exporters who were having a hard time and would have appreciated some recognition by the Government of the difficulties involved.

I now find it amazing that having inquired for several months to get a copy of the export handbook published by the British Overseas Trade Board, I am still told that unfortunately they are out of print and a new edition is not likely to be available for several months. The export handbook was an excellent publication which, I am sure, most exporters or potential exporters want to have on their shelf in the office and it seems significant of the Government's attitude toward help to exporters that this basic handbook is not available and nothing is apparently being done to make it available quickly.

Another of the spots is the rising increase in the fee for the Market Advisory Service from £50 to £75.

I know that the managing directors of small exporting businesses have long memories and, I am sure, like myself, many will remember the Government's lack of help and understanding at a time when it was needed and this Government, in particular, will get no consideration or understanding from me because of their failure to help exporters at a time when it was needed.

After all, all the employees of our business are paying tax and would hope that part of the Government income in that way could be allocated to an area which would help them and our business.

Alan Bramley,
Managing Director,
A. E. Partridge and Sons (1970),
Mount Pleasant,
Redditch, Worcs.

Trade union immunities

From Mr Alan Braley

Sir,—Mr James Prior, Secretary for Employment, was reported as saying recently that "the law can only do so much" to end the present debilitating stranglehold of the unions. This is a dangerous half-truth.

Long before Mr Prior's time the law had already done too much. The Trade Disputes Act of 1906 presented trade unions with far-reaching immunities enjoyed by no other section of the community. Subsequent labour legislation under governments of all complexions has unwarrantably extended the scope of union power without commensurate responsibility.

The Liberal Government in 1906 acted with a lack of prescience that was perhaps pardonable, though fateful. The same cannot be said for later governments whose members had, after all, lived with the increasingly damaging consequences of that ill-conceived enactment, yet lacked the wit or the will to correct it.

The results may not be altogether surprising, but they are no longer tolerable. The entrenched rigidities militate against long-term real wages and will, still more, against future employment prospects for union members and non-members alike. Moreover, apart from the long haemorrhage of inefficient work practices and strike-happiness (recently criticised by the real leader of Poland's real trade union), the last seven years have witnessed under trade union auspices mob violence (Grunwick), dereliction of patients (COHSE), intemperate use of industrial muscle (miners, railmen, electricians etc) and a lack of constructive thinking and leadership from trade union "leaders" and the TUC, together with a propensity to interfere in matters beyond their competence (Polaris, and politics generally) which should convince all but the purblind that one essential ingredient of Britain's survival as a significant industrial nation must be urgent and ultimately far-reaching trade union reform, with the Civil Service a special case in point.

Naturally this will require legislative action, but it would be quite misleading to describe such action as excessive or "confrontational." It will merely redress a situation that has been out of hand for decades.

Alan Braley.
93, London Road,
Knebworth, Hertfordshire.

Scorn and contempt

From Mr Peter James

Sir,—In his letter to you today (June 17) the CBI's Sir Terence Beckett makes the extraordinary statement that "The efforts of the CBI, *starting as we unfortunately have to from this difficult position* [my emphasis], are directed towards creating a climate . . ." etc. etc. Starting! This sounds like base drift gone mad.

It is precisely this endless refusal to accept responsibility by industrial leaders in general and the CBI in particular which has earned for them the scorn of Mrs Thatcher and the contempt of the public.

Peter James.
Springfield House,
West Clandon, Surrey.

Shared cost of index linking

From Mr M. P. McNeil

Sir,—In the spate of recent articles and correspondence on the subject of preserved pension rights for people changing jobs, it appears to be almost universally assumed that the responsibility for "index linking" accrued pensions should rest with the original employer.

Surely this is taking a very naive view of the realities of the situation. If there are such distinct advantages to be gained from job mobility as the Government and other experts suggest, the advantage must accrue to the new employer rather than to the original employer who is losing the employee's services. The new employer, on the other hand, is the one who is going to benefit from the years of training and experience that the transferee brings with him and which he, in a sense, is stealing from the first employer because he feels it will be of value in his own business.

Surely then it should be the new employer, if anyone, who should be held responsible for the cost of "index linking" the transferred pension benefit, to keep it in line with the employee's rising remuneration in his new employment.

On any subsequent change of employment the future potential increases in liability should similarly be passed on to the next employer, and so on.

This is not to suggest that everything possible has yet been done towards giving a fair deal from the original employer's end. The very fact that "value for money" tables have so frequently to be invoked in calculating preserved benefits for a withdrawing employee, indicates that in many cases he is not receiving any value whatsoever for the employer's money. Would it not be possible for the Government Actuary to determine a table of premium rates to be used to calculate a notional cost of the amount of pension accrued to date of withdrawal according to the scheme's pension formula; such table to be based on an agreed rate of interest which entirely ignores the inflation factor (say 5 per cent for the sake of argument but the rate to be determined by experts). Having determined a *notional* cost on this basis, this sum would then be applied on current with profit premium rates, which would have the effect of partially inflating the preserved pension up to the time of vesting, assuming interest rates remain high.

The burden of "index linking" would in this way be shared between the original and the new employer.

M. P. McNeil,
66, Callander Road,
Catford, SE6.

Europe's confusion

From Mr Richard Carswell

Sir,—The reply to a recent parliamentary question by the Commission of the European Community shows that at the end of last year there were 589 legislative proposals before the Council of Ministers awaiting decision, comprising: 83 proposals for decision; 220 proposals for directives; 286 proposals for regulations.

Surely this is excessive, and raises two issues. First, the Council of Ministers should streamline its procedures and make more decisions by majority vote, as provided in the EEC Treaty, instead of insisting on unanimity.

Second, the Commission needs to ask itself whether or not it is trying to do too much thereby dissipating its efforts. Its proposals cover many areas, some of which are perhaps not dealt with most effectively at the Community level. In February 1977, a month after taking office as President of the European Commission, Roy Jenkins declared in the European Parliament: "Looking back on the work of the Commission over the past month . . . I am struck by the extent to which we have necessarily been concerned with on-going business."

The Commission has got caught in a bureaucratic rut. The time has come for it to play its other role — that of a political institution promoting European integration and creating a genuine common market.

Richard Carswell,
C.S.M. European Consultants,
Eagle House,
109, Jermyn Street, SW1.

Power of monopolies

From Mr David J. C. Green

Sir,—In his article of today (June 18) Mr Samuel Brittan sought to distinguish a number of separate arguments around the theme of public spending. In doing so, he referred to the monopoly power which many nationalised industries enjoy and the inefficiency with which their affairs are conducted.

The economic argument surrounding the nationalisation or denationalisation of major industries does seem all too often to ignore the fundamental personal and social needs which those industries are supposedly established to satisfy. The argument about real growth, personal incentive and individual involvement has never been met by large scale organisations on a nationalised basis but has been most successfully answered by private enterprise where the individual is not lost sight of.

Mr Brittan refers to the minor revolution to open the gas showrooms to competition. It is not a minor revolution but a total one that is required. My local gas showroom does not publish its telephone number to members of the public and I can think of no fact which more underlines the failure in social terms of nationalisation.

David J. C. Green.
Bellefields, Englefield Green,
Surrey.

Petrol retailing

From Mr D. E. Gravell

Sir,—I read with interest your article on petrol retailing and the different pricing structure.

As a petrol station operator, I think it right that the public be made aware of the various types of petrol retailing and the methods used.

1. The company owned site: The prices set here vary as it depends on the capital tied up in the fixed asset and the type of road which the site is on.

2. The supermarket site: These sell petrol as loss leaders and the abolition of Resale Price Maintenance will never stop it.

3. The privately owned garages: The buying and selling price here depends on many factors. For example, the site may have recently had a major redevelopment costing £50,000 paid for by supplying petrol company—this has to be taken into consideration in the buying price and thus the selling price.

4. Gallonage: The gallonage of the site is of vital importance and will ultimately decide the buying and selling price.

You will thus appreciate that with all the different methods of operating, there will always be a different selling price.

D. E. Gravell,
Managing Director,
Gravells,
Pinged Hill Garage,
3/5 Banc Pendre, Dyfed.

Today's Events

GENERAL

UK: Transport and General Workers Union conference opens, The Dome, Brighton (to June 26).

Voting for 14 vacancies on Stock Exchange Council.

First English enterprise zone comes into operation at Corby.

St. Piran winding-up petition due to be heard.

Lawn Tennis Championships open, All England Lawn Tennis Club, Wimbledon (to July 4).

Prince Charles dives on wreck of the Mary Rose, off Portsmouth.

Sir Ronald Gardner-Thorpe, Lord Mayor of London, lunches with Mr. Nicholas Goodison, Stock Exchange chairman, at Stock Exchange.

Royal Highland Show opens, Edinburgh (to June 25).

International Food, Wine and Kitchen Exhibition opens, Bingley Hall, Birmingham (to June 28).

Overseas: Mr Peter Walker, Agriculture Minister, speaks on "The Dangerous Decade," British/American Chamber of Commerce, New York.

General Alexander Haig, U.S. Secretary of State, attends meeting of Anzus Pact, Wellington, New Zealand.

EEC Foreign Affairs Council starts two-day meeting to prepare agenda for European summit next week, Luxembourg.

EEC Education Ministers meet, Luxembourg.

Mr Neil Marten, Minister for Overseas Development, attends EEC Development Council, Luxembourg, discussing a new regulation for the management of Community food aid.

EEC Ministerial meeting to consider Spain's membership of the Community.

World's Wine and Spirit Week opens, Bordeaux (to June 26).

PARLIAMENTARY BUSINESS

House of Commons: Representation of the People Bill, second reading.

House of Lords: Trustee Savings Banks Bill, second reading. British Nationality Bill, second reading.

OFFICIAL STATISTICS

Cyclical indicators for the UK economy for May.

COMPANY MEETINGS

See Week's Financial Diary on page 5.

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LONDON AND HOLYROOD TRUST PUBLIC LIMITED COMPANY

Investment Manager—Robert Fleming Investment Management Limited
Secretary—Robert Fleming Services Limited

Three year summary of results

Year ended 31st March	Total Income £'000	Ordinary Shares Earned per share	Ordinary Shares Paid per share	Gross Assets (less current liabilities) £'000	Net Asset Value per Ordinary share
1979	1,663	4.23p	4.20p	40.182	175.2p
1980	2,089	5.62p	5.50p	34,532	152.4p
1981	2,160	5.89p	5.75p	47,330	211.2p

MR. DAVID DONALD, in his chairman's review, said: My prognosis a year ago turned out to be reasonably accurate, and I still believe that it would be a mistake to be under invested to any significant extent. As far as revenue is concerned, I expect no dramatic change in either direction. I should, however, quote the actuary who many years ago said: "that for the investment manager at any given time the present is always uncertain and the future invariably obscure."

Copies of the Accounts are available from the Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

THE LONDON AND PROVINCIAL TRUST PLC

Investment Manager—Robert Fleming Investment Management Limited
Secretary—Robert Fleming Services Limited

Three-year summary of results

Year ended 31st March	Total Income £'000	Ordinary Shares Earned per share	Ordinary Shares Paid per share	Gross Assets (less current liabilities) £'000	Net Asset Value per Ordinary share
1979	2,215	4.00p	3.95p	52.798	164.2p
1980	2,730	5.21p	5.20p	45.767	141.6p
1981	2.800	5.33p	5.30p	63,919	199.9p

In his statement, the chairman LORD WYFOLD said: "An Ordinary dividend of not less than 5.30 pence per Ordinary Share is anticipated for the current year."

Copies of the Accounts are available from the Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

UK COMPANY NEWS

KCA Drilling float off approved

BY ALAN FRIEDMAN

SHAREHOLDERS in KCA International, the oil services group, have approved the company's plan to float off its drilling services subsidiary as a fully quoted company on the Stock Exchange.

At a special meeting on Friday, shareholders voted in favour of the offer for sale of 20m new ordinary shares of 25p each at 95p per share to raise £18m after expenses.

The new company is called KCA Drilling Group and its parent is to retain a 75 per cent holding. On the basis of the 95p offer price, KCA Drilling is valued at £76m.

The offer, which is being advertised today, forecasts a 1981 pre-tax profit of £5.2m against £3.5m for 1980. Turnover is forecast to rise from last year's £16m to £26m in 1981. The company expects to pay a total net dividend of 3.75p to yield 5.64 per cent.

Mr Alex Bernard, managing director of KCA International, explained the flotation as a means for both raising money and establishing a separate identity for the drilling company on the London stock market. The parent believes the sale of 25 per cent of KCA Drilling will attribute a fairer value to the company.

The net proceeds of the issue are to be used for the completion and equipping of a $65m drillship purchased recently by KCA. Following the issue, KCA Drilling will still have an outstanding bank loan of £9.1m and a medium term loan of £8.3m at commercial rates from KCA International.

According to the offer document, KCA Drilling's net tangible assets (at book value) are £24.9m or 31.1p per share. After adjusting for revaluation, the assets are £59.4m or 7.42p per share.

KCA Drilling is forecasting 1981 earnings per share at 5p, a price earnings multiple of 19 at the offer price.

The offer will open on June 26 and may close at any time thereafter. It has been underwritten by Charterhouse Japhet. Brokers to the issue are Carr Sebag.

● **comment**

KCA International is becoming quite a veteran at floating off its interests as separately quoted companies. First came the successful Berkeley exploration more than a year ago. Now the drilling subsidiary, which until recently, has been the parent's group main cash cow. And just a few days ago KCA announced a joint venture with Saudi interests which could result in a quotation for the old Berry Wiggins in the Gulf. A circular to shareholders has been despatched to show that KCA International will make a current year pre-tax profit of not less than £4.6m, excluding the newly floated drilling company. This says the £4.6m will be struck after £1.4m of interest payments and will include £1.3m from land sales and £3m from exchange gains. So, the parent is not going to endanger its own profits by this flotation. Other interests, such as KCA Baron should provide earnings in the near future. But the £76m market capitalisation of KCA Drilling, as a separate entity, is nearly £19m above the value of its parent group at 160p. Shares in KCA International have come off about 11 per cent since the group announced the flotation a few weeks ago. Thus, the offer of 25 per cent of KCA Drilling can be seen not only as a means of "establishing a separate identity" for the company, but as a method of innovative finance. It will provide funds to help complete the drillship "Polly Bristol" just as KCA's more orthodox £12.5m rights issue bid last November.

London & Liverpool expansion continues with two acquisitions

THE RAPID expansion of London and Liverpool Trust since Mr Ronald Shuck became chairman last year continues apace with proposals to acquire two more companies.

These are Copy Consultants (Western) and Bulk Hardware. Copy Consultants handles the Mitsubishi U-Bix range of electronic copying machines in the West Country and is destined to complement two other recent London and Liverpool acquisitions, Talbographic and K H Vickers, which handle U-Bix in other distribution areas.

Mr Shuck tells shareholders that "the performance of both companies since they were acquired has exceeded the expectations of your directors and they consider the acquisition of the Copy Consultants Group represents a valuable opportunity for the company to add to its interests in an expanding market."

Bulk Hardware, which showed a £10,000 asset deficiency in its last accounts, is designed to extend LLT's general distribution activities.

LLT is offering more of its own shares in consideration for these acquisitions and both are related to an earn-out formula. So LLT is issuing 379.310 shares to Copy Consultants and £315,245 convertible non-interest bearing "W" loan notes at par on completion. The new shares will represent 3.8 per cent of the enlarged equity.

The loan notes are convertible into ordinary shares at a maximum rate of three shares per £1 nominal of loan notes. There is also a future earnings-related payment due to the vendors which will comprise either a cash sum up to a maximum of £600,000 depending on profits for the two years to December 31 1982, or the issue of new shares.

The group is paying a nominal sum of £1 for Bulk Hardware, to be augmented by the payment of a maximum of £300,000, according to the value of net tangible assets by September 30 this year, or profits, taking a further two years' trading which would lift the cash consideration to £750,000.

A pro forma statement of net worth for the enlarged group shows tangible assets of £1.753m backed by 10.4m 10p shares.

SPAIN

1981 High	1981 Low		June 19 Price %
344	251	Banco Bilbao	332
414	280	Banco Central ...	408
335	229	Banco Exterior ...	330
330	239	Banco Hispano ...	317
128	120	Banco Ind. Cat ...	125
390	284	Banco Santander...	383
228	143	Banco Urquijo ...	228
365	235	Banco Vizcaya ...	235
271	204	Banco Zaragoza ..	267
250	82	Dragados	250
91	45	Espanola Zinc	91
81	55.5	Fecsa	77 7
55 5	22	Gal. Preciados ...	57
89.7	63.5	Hidrola	85.5
69 7	52	Iberduero	68
153	70	Petroleos	143.5
102	70	Petroliber	102
102	65	Sogefisa	62
90	60	Telefonica	89
81	60	Union Elect.	76

Francis Shaw reduces deficit

PRE-TAX LOSSES of Francis Shaw, which makes machinery for the rubber, cable and plastics industries, were reduced from £393,000 to £107,000 in 1980, after an exceptional profit on the sale of plant of £309,000 this time and interest of £585,000 against £472,000.

Turnover increased from £10.66m to £11.03m, having been up from £5.88m to £7.2m midway. The interim statement showed a pre-tax loss of £89,281 (profit £29,305).

Tax took £40,000 against a credit of £35,000 and the attributable loss was £623,000 compared with a profit of £321,000, after an extraordinary debit (the cost of factory closure) took £496,000 (credit £45,000).

There is no dividend for the year; last year the company paid 1.317p.

The board says it was obliged to cut back more severely than had been originally planned and has provided for another £360,000 of reorganisation costs in the 1980 figures.

The company was unable to realise all the assets it had planned to sell and as a result the cash flow target for 1980 was not achieved.

The board forecasts that the first half of 1981 will not be profitable since the first quarter has been affected by disruption and discontinuity of production caused by factory closures. It expects to recoup much of this loss during the current year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals—Anderson Strathclyde, James Cropper, Walker and Staff, Whitecroft.

FUTURE DATES

Interims—
Birmingham Pallet .... July 2
Henlys .... June 25
Kitchen (Robert) Taylor .... July 1

Finals—
Brit. Cinematograph Theatres .... June 29
Deport .... June 24
Elliott Group of Peterborough .... June 26
Mansfield Brewery .... June 22
Murray Northern Invest. Trust .... July 13
Norwest Holst .... June 23
Scottish and Newcastle Brews. .... July 1

Quotation on USM for Acsis Jewellery

Acsis Jewellery, the retailer that has built up a chain of 64 "Richard Gerson" shops-in-shops in the past seven years, is coming to the Stock Exchange's Unlisted Securities Market tomorrow.

A placing of nearly 40 per cent of the shares at 65p to 70p a share is being made by Charterhouse Japhet, a merchant bank, valuing the company at about £3½m. The company itself is raising £150,000 and the rest of the shares are being provided by Charterhouse Development and two directors.

Acsis also operates three jewellery shops in London under its own name, a mail order business, and manufactures and wholesales jewellery.

Turnover has grown from £183,000 in the year ended on July 31, 1976 to £3.3m last year and profits from £11,000 to £497,000 in the same period. The group will be forecasting profits in excess of £600,000 in the current year.

Brokers to the placing are Grieveson, Grant.

£1m purchase by Hunting Gibson

Hunting Gibson, the ship managing and industrial painting group, has acquired 75 per cent of the capital of Inskill, an office fitting concern.

The acquisition is costing £950,000, of which £479,000 will be paid at the end of July and the balance a year later. Inskill turned in a pre-tax profit of £533,000 for 1980 and had net assets of £412,000.

WIGHT FINANCIAL ADVISERS RESIGN

The James Finlay Corporation has resigned as financial advisers to Wight Holdings, the building and engineering contractor in which Thornwood Investments last week gained a controlling stake. No reason was given for the resignation.

Thornwood originally offered 30p per share for the 55 per cent of Wight which it did not already own, but raised this to 35p per share on Thursday when it bought a further 26.6 per cent holding at this price. It then held 68.5 per cent and its offer became unconditional.

Thornwood, a Glasgow-based private company with interests in motor leasing and distribution and in property, is being advised by The British Linen Bank.

HENRY SYKES SELLS DEPOT

Henry Sykes has sold its 63,610 sq ft freehold depot in Slough to Slough Industrial Estates for £960,000.

Proceeds from the sale of the depot, which had a book value at the end of last year of £700,000, will be used to reduce bank borrowings.

HAWTHORN, LESLIE

Starwest has announced it intends, in due course, to acquire compulsorily all the outstanding ordinary, deferred and 4.2 per cent cumulative preference shares in R and W Hawthorn, Leslie, as sufficient acceptances of its offer have been received.

TAYLOR WOODROW

At present the volume of uncompleted work on hand for Taylor Woodrow totals £910m, an increase of £162m on the same time last year. In Saturday's report, the current figure was incorrectly stated as £510m.

U.S. $125,000,000

Midland International Financial Services B.V.

(Incorporated with limited liability in the Netherlands)

Guaranteed Floating Rate Notes 1989
Convertible until 1983
into 10% Guaranteed Bonds 1989

Guaranteed on a subordinated basis as to payment of principal, premium (if any) and interest by

Midland Bank Limited

For the six months from 22nd June, 1981 to 22nd December, 1981 the Notes will carry an interest rate of 17$\frac{13}{16}$% per annum. On 22nd December, 1981 interest of U.S. $443.20 will be due per U.S. $5,000 Note for Coupon No. 4.

The Conversion Interest Amount applicable to Notes which are presented for conversion on or before 1st December, 1981 will be U.S. $12.50 for each U.S. $5,000 Note and this will be payable on 31st December, 1981.

Agent Bank: Morgan Guaranty Trust Company of New York

Banque Nationale d'Algérie

U.S. $25,000,000

Floating Rate Notes 1985

In accordance with the provisions of the Agent Bank Agreement between Banque Nationale d'Algérie and Citibank, N.A., dated as of December 20, 1978, notice is hereby given that the Rate of Interest has been fixed at 17$\frac{7}{8}$% per annum and that the interest payable on the relevant Interest Payment Date, December 22, 1981 against Coupon No. 6 will be US$90.55.

June 22, 1981
By: Citibank, N.A., London, Agent Bank

CITIBANK

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Capitalisation £000's	Company	Last price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
3,986	Airsprung	66	—	6.7	10.2	8.3	11.7
1,175	Armitage and Rhodes	47	—	4.3	9.2	3.6	5.1
12,220	Bardon Hill	200	—	3.6	1.8	19.3	44.8
7,847	Deborah Services	102	—	5.5	5.4	7.5	12.3
3,680	Frank Horsell	104	—	6.4	6.2	4.0	7.0
3,101	Frederick Parker	83	—	6.4	8.2	3.3	6.0
1,181	George Blair	64	—	—	—	—	—
2,700	Jackson Group	108	+ 3	3.7	4.0	2.7	2.4
17,942	James Burrough	130	—	7.0	6.5	3.4	7.7
3,213	Robert Jenkins	315	—	8.7	8.2	10.7	10.7
2,700	Scruttons	98	—	5.3	5.8	2.9	6.8
3,046	Torday	158	—	16.1	7.8	7.8	13.1
3,080	Twinlock Ord.	14½	—	—	—	—	—
2,157	Twinlock 15% ULS	79	—	15.0	19.0	—	—
6,105	Unilock Holdings	60	—	3.0	5.0	5.6	9.6
13,033	Walter Alexander	80	—	5.7	7.6	5.7	9.7
5,904	W. S. Yeates	253	— 2	13.1	5.2	14.0	9.7

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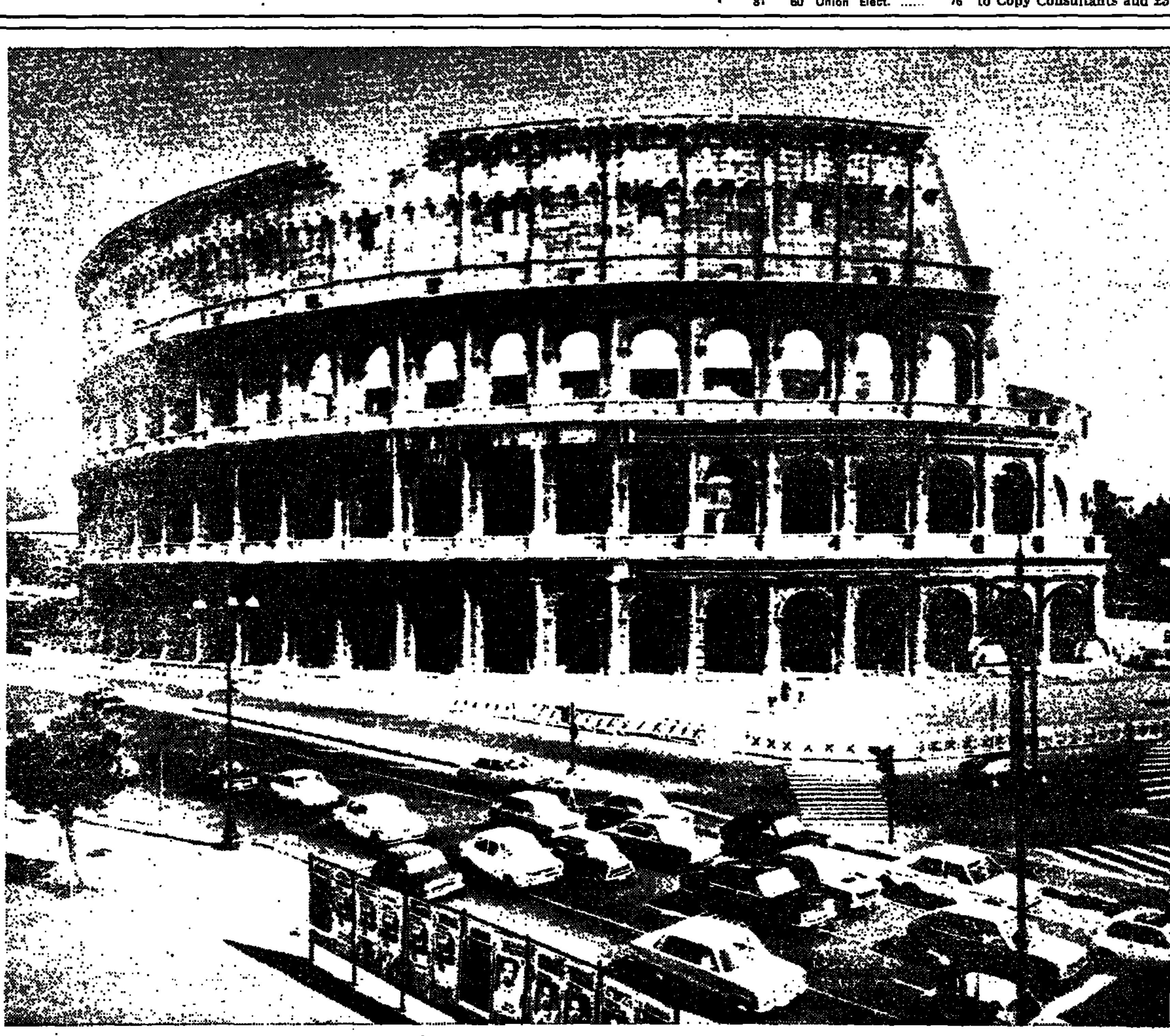
FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000–£50,000 accepted for fixed terms of 3–10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 10/7/81.

Terms (years)	3	4	5	6	7	8	9	10
INTEREST %	13½	13½	13¾	13¾	14	14	14	14

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Rd., London SE1 8XP (01-928 7822, Ext 367). Cheques payable to "Bank of England, a/c FFI". FFI is the holding company for ICFC and FCI.

FFI



ALL ROADS LEAD TO BANCO DO BRASIL'S NEW ROME BRANCH.

Banco do Brasil, with a thriving branch bank in Milan, is pleased to announce the opening of a second major banking facility, in Italy's beautiful and historic capital city.

In the relatively brief time our Milan branch has been operating, Banco do Brasil has helped stimulate and advance business relations between companies and industries of both nations.

Today, Italy is an important and growing market for such Brazilian exports as: automobiles, airplanes, beef, soybeans, hematite, and, of course, coffee.

In 1980, Brazil's total exports amounted to 20 billion dollars, more than half of this sum representing manufactured goods. This year's target is 27 billion dollars and Banco do Brasil looks forward to contributing to this increase.

With over 1,300 branches in Brazil, and 60 branches and offices abroad, our banking experts are always close to the world's decision-making centers.

Now, with the opening of our new Rome branch, we look forward to making it even easier for importers and exporters to do business in Brazil.

That is one of the reasons we are now located at Corso D'Italia 29/32 in Rome, ready to serve your unique business and banking needs.

BANCO DO BRASIL
Your gateway to business in Brazil.

OVER 1.300 BRANCHES IN BRAZIL • BRANCHES AND OFFICES IN ABIDJAN • AMSTERDAM • ANTOFAGASTA • ASUNCION • ATLANTA • BARCELONA • BOGOTA • BRUSSELS • BUENOS AIRES • CARACAS • CHICAGO • COCHABAMBA • COLON • CONCEPCION • DALLAS • FRANKFURT • GENEVA • GRAND CAYMAN • HAMBURG • HOUSTON • LAGOS • LA PAZ • LIMA • LISBON • LONDON • LOS ANGELES • MACAO • MADRID • MANAMA • MENDOZA • MEXICO CITY • MIAMI • MILAN • MONTEVIDEO • MONTEVIDEO (OLD CITY) • NEW YORK • OPORTO • PANAMA • PARIS • PARIS (OPERA) • PAYSANDU • PUERTO PRESIDENTE STROESSNER • QUITO • RIVERA • ROME • ROTTERDAM • SAN FRANCISCO • SANTA CRUZ DE LA SIERRA • SANTIAGO • SINGAPORE • STOCKHOLM • SYDNEY • TEHRAN • TOKYO • TORONTO • VALPARAISO • VIENNA • WASHINGTON • ZURICH

John Moore looks beyond House of Fraser's boardroom battles

Disciplines of war boost efficiency

SHAREHOLDERS of House of Fraser attending this Thursday's annual general meeting at the City Hall, Candleriggs, in Glasgow could be forgiven for anticipating a clash of some description between the majority of the board and Lonrho, the group's largest shareholder.

For over a year—although to shareholders it may seem much longer—the affairs of House of Fraser have been dominated by its stormy relationship with Lonrho, which holds 29.99 per cent of the shares.

Lonrho has been represented on the House of Fraser board since 1977. Both Lord Duncan-Sandys and Mr Tiny Rowland, respectively Lonrho's chairman and chief executive, have seats on the board although they are usually represented at board meetings by two other Lonrho directors.

The rift between Lonrho and the Fraser group opened dramatically last year over dividend payments, board representation, a £29m sale and leaseback deal of the group's D. H. Evans store—and this year, over Sir Hugh Fraser himself, the group's chairman who was deposed by Professor Roland Smith in a boardroom battle in January.

These were the preliminary skirmishes which led to a 150p per share cash bid, valuing the group at £226m, by Lonrho. That bid is now being studied by the Monopolies and Mergers Commission.

Yet the Lonrho threat has had a positive rather than a negative influence in the affairs of House of Fraser—a fact which has often been obscured by the smoke of battle between the two groups.

A new management structure has been created in the stores group, whose empire includes Army and Navy, Harrods, Chiesmans, Dickens and Jones and Barkers. Although this has only been effectively in action under the new leadership of Professor Smith, the £50,000 a year part-time chairman, since late January, there is a perceptible change of management style and policy. "There is a measured, purposeful, rather than a butterfly approach," remarked one observer.

Under the management of Professor Smith the group is pursuing an active marketing policy. It is rationalising its divisions, installing computer systems, and actively exploiting the property potential of its assets.

House of Fraser has been described as a "property gold mine," something Professor Smith is not allowing institutional and other shareholders to forget in his fight to ward off the unwelcome attentions of Lonrho.

All the group's properties have been revalued as at January 31 this year, as part of its campaign to fight the Lonrho takeover. The revaluation figure of £337m showed a surplus over book values of £188m, giving a net assets value of 305p per share. Moreover the group says the sales of property which have been arranged since January this year have been at prices above the revalued figures.

Since January, the Fraser group has been given planning permission to redevelop 500,000 sq ft of space at Barkers of Kensington into a reduced trading area for a House of Fraser store, a small multiple store, three shop units and offices. The freeholder of the store is the Pearl Assurance company, which is expected to finance the £20m plan.

Other properties are also likely to be redeveloped.

Harrod's, the jewel in the group's crown, is being overhauled. New escalators are being installed to improve "traffic flow and the density of existing trading operations in the store." Extra selling space is to be created in the famous food hall, one of the most profitable parts of the store. And even the name "Harrods" is to be put to more visible marketing use, adorning such things as cigarettes in a joint venture with a tobacco group.

The lease of Dingles Furnishing Store in Bournemouth was sold as part of the group's policy of rationalisation at a price higher than the recent £445,000 valuation. And the Army and Navy and Chiesmans divisions altered their board structure so that the same directors now administer both subsidiaries, as part of the rationalisation in management.

Efficiencies have been introduced in other ways. The group is investing heavily in an ambitious computerisation programme. The improved information flows, it argues, will enable executive management to achieve tighter control over the purchasing of merchandise, the replacement of stocks and day-to-day store operations.

The group's main policy decisions are taken by an executive committee, created last year and headed by Professor Smith. Through this committee the group effectively avoids what it considers to be the disruptive influence of the Lonrho faction on the main board.

As for Lonrho, it may decide to oppose the re-election of Professor Smith this week. But even Lonrho may be forced to admit that the Professor is beginning to fulfil his promise that he would make the group's assets "sweat."

Decline at Ace Belmont

PRE-TAX profits of £481,000 against £750,000 are reported for the six months to February 28, 1981, by Ace Belmont International, a private company whose preference shares are quoted on the Stock Exchange.

Ace Belmont owns ABI Caravans, the UK's largest manufacturer of caravans.

Despite pressure on prices in a heavily over-supplied market, the group still achieved trading profits of £558,000 (£865,000), which Mr Reed describes as satisfactory.

There was no tax charge for the half year, compared with £390,000 last time. This left net profits ahead from £360,000 to £481,000 and earnings per share up from 12.19p to 17.95p.

Reflecting non-recurring costs of restructuring the caravan business, extraordinary debits totalled —£256,000. Preference dividends absorbed £104,000 (same) and £21,000 (£256,000) was retained.

SPO seeks new cash injection

TECHNICAL problems and changed market conditions relating to its Golconda Mill in Derbyshire have forced SPO Minerals to raise more cash.

The group detailed the risks inherent in commissioning its Golconda processing plant for barytes, fluorspar and lead concentrate when it came to the Stock Exchange's Rule 163(2) market a year ago. Now it is having to top up the £500,000 rights issue proceeds raised last January with a further package worth £1.2m.

Formerly known as South Pennine Ore, the group, headed by American entrepreneur Mr Robert Sprinkel III, is issuing 526,630 ordinary shares to the International Energy Bank at 15p per share to raise £150,000. The bank has agreed to a variation in the terms of its leasing facility to SPO and the restructuring of its security, thus enabling the group to arrange additional bank facilities of £320,000.

Shareholders will be asked to pay 30p per share for a one-for-one rights issue which is designed to raise £730,000. Existing shareholders owning 27.5 per cent of the equity have agreed to subscribe in full and so will the SPO board, and their families, in respect of a further 16.6 per cent. The remaining shares will be underwritten by Grindlay Brandts.

The technical problems have meant that capital spending at Golconda has overshot budget by £270,000 and the plant cannot operate profitably without additional equipment. Nor is it capable of producing flotation grade barytes on a continuous production basis, although it can produce barytes for drilling mud applications in far greater quantities than were first envisaged.

With the installation of a drying, grinding, bagging and silo facility for £150,000, SPO can produce a dried and ground product suitable for the North Sea drilling mud market with a higher added value content than previously projected. "There is confidence that we now have the right solution", Mr Sprinkel says, "and production and revenues at SPO's Doe Lea coal mine (for which the January rights issue was launched) are exceeding our expectations".

The group is also applying for permission to have the shares traded on the Unlisted Securities Market.

NO PROBE

The merger of Mayfair Vending and ISS Vending Group is not to be referred to the Monopolies and Mergers Commission.

ENERGY CAPITAL

Shareholders of Energy Capital has approved the company's acquisition of federal oil and gas leases on acreage in the Utah overthrust-hingeline belt in the U.S.

FT Share Information

The following securities have been added to the Share Information Service:—

Cardiff Property (Section: Property). Tri Basin Resources (Oil and Gas).

Tanks Consolidated Investments Limited

(formerly Tanganyika Concessions Limited)

Summary of the Statement by the Chairman

The Hon. A. L. Hood

Consolidated Profit & Loss Account for the year ended 31st December, 1980

	1980 £	1979 £
Dividends and interest	2,713,448	2,873,311
(Loss)/Profit from trading activities of the Elbar Group	(1,591,257)	1,560,874
Profit from investment activities	938,712	507,214
Profit from exploration activities (after crediting realised surplus on disposal of net assets of Tanaust £12,033,887.)	10,747,594	398,004
Profit from other activities	73,540	63,427
	12,882,037	5,402,830
Less: general and administration expenses	602,852	574,336
Profit before taxation	12,279,185	4,828,494
Taxation	166,370	(559,420)
Profit after taxation	12,445,555	4,269,074
Minority interests	301,641	(433,074)
Profit before extraordinary items	12,747,196	3,836,000
Extraordinary items	(188,229)	99,363
Profit for the year attributable to Tanks	12,558,967	3,935,363
Dividends	2,518,250	2,182,179
Retained profit for the year	£10,040,717	£1,753,184
Earnings per ordinary stock unit	73.57p	21.63p

- **Union Minière** – dividend maintained at Frs 500 out of slightly reduced profits.
- **Benguela Railway** – working conditions remain essentially unchanged.
- **Elbar Industrial** – severely affected by the industrial recession in the United Kingdom.
- **Tanks Oil and Gas** – provisional production licence granted on P/6 gasfield. Two blocks awarded in U.K. Seventh Round.
- **Ashton Mining** – interest in Tanaust sold for Aust. $26.6 million and issue of 11 million Ashton Mining shares. The development of the important AKI pipe at Argyle is estimated to cost Aust. $400 to 500 million.

The development of our interest in the North Sea continues satisfactorily. Income from this source cannot however be expected before 1984 The company's holding in the Ashton Mining Company is a most valuable asset but is, of its nature, unlikely to produce a dividend revenue for some time to come. The circumstances of the Benguela Railway have again shown no important change during the year. Income from interest and dividends should show a substantial increase over 1980. It is to be hoped that trading results from Elbar will improve markedly.

Copies of the full Statement may be obtained from the Registered Office of Tanks Consolidated Investments Limited, 6 John Street, London WC1N 2ES.

Marks & Spencer

Statement by the Chairman Lord Sieff of Brimpton, O.B.E., B.A.

Group sales excluding sales taxes totalled £1,872·9 million, compared with £1,667·9 million last year.
Our profits before tax were £181·2 million, compared with £173·7 million.

Profits available for distribution are £99·5 million, after taxes of £80·6 million. We allocated £3·2 million to our Employees' Profit Sharing Scheme. We recommend an increased final dividend of 2·3 pence per share, totalling 3·8 pence for the year, compared with 3·4 pence last year.

Store sales in the United Kingdom, net of VAT, were £1,739·2 million compared with £1,543·5 million last year.

In France, Belgium and Ireland, our sales in local currencies rose 34·7% against the previous year. After the distortions caused by the strength of sterling, they are shown in our Group sales as £33·3 million against £28·4 million and the profit before tax is £1·9 million, marginally less than last year. In France we shall complete our store in Reims in June and open in Strasbourg in October. We are building in Lille and Antwerp.

Marks & Spencer Canada Inc. made a profit of C$6·6 million in the financial year ended January 1981, against a profit of C$3·3 million in the previous year. After the changes in the dollar/sterling rates of exchange during the year, Marks & Spencer Canada Inc. contributed £2·5 million to Group profits before tax, as against £1·3 million in the previous year.

At the end of the year, Mr. J. A. Rishworth retired after 32 years service, having been a director since 1972. I thank him for his significant contribution to the business.

It has been a difficult trading year with high unemployment. Our customers had to face greatly increased costs of such items as lighting and heating, transport, mortgages, rent and rates, leaving less money available for High Street shopping.

IMPROVED VALUES

We met this challenge in co-operation with our suppliers by improving values of "St Michael" merchandise while maintaining or upgrading quality. We gave greater emphasis to easier priced lines while continuing to sell certain higher priced ranges; both sold well. Our policy is to sell clothes which are classic and well styled and food which tastes good — appealing to all ages and representing good value.

We operated on lower gross profit margins to contain prices. At the end of the financial year our overall price increases were 1% on clothing and 4% on food, compared to a year ago. We increased our volume sales.

OVER 90% BRITISH MADE

We continued to support United Kingdom industry. More than 90% of our clothing, household textiles and footwear were manufactured in the United Kingdom; three out of four "St Michael" garments are made from fabric produced in this country. We import only when we cannot obtain the necessary quality or innovation in the United Kingdom.

Many of our United Kingdom manufacturers continued to invest in modern plant and technology and have increased productivity and efficiency. Some suppliers with surplus capacity have been compelled to close factories to rationalise production. Regrettably, we have had to discontinue buying from a few.

The United Kingdom textile and clothing industries, with 600,000 employees, are a major source of employment. There are many modern, efficient producers with skilled work forces and good human relations, who operated well below capacity. Demand was weak as a result of the recession and the high value of the pound, which inhibited exports and encouraged imports. These producers do not need subsidies or substantially increased protection. They need a strengthening of the legislation which limits the level of imports in line with the economy. Regulations which control 'dumped' or subsidised imports should be properly enforced. Most United Kingdom manufacturers want free but fair trade.

"St Michael" foods made good progress with substantially increased volume. Our customers increasingly appreciate high quality, freshness and good flavour.

In all areas, technology played an important part in establishing high quality standards, product development and innovation. Our technologists are not back-room boffins, but experienced practical people working closely with our buying departments and suppliers.

IMPROVED SERVICE

We initiated a major drive to make shopping at Marks and Spencer more enjoyable by improving the standard of service. Our sales staff are encouraged to be even more courteous and helpful.

STORE EXPANSION

We opened new stores in Inverness, Milton Keynes and Harrow; they have done well. We continue to expand in the United Kingdom and will spend £300 million on property, buildings and equipment over the next four years. In the current financial year we have already opened stores in Truro, Exeter and Brentwood and shall open stores in Redditch and Bexleyheath. We are building stores in Stratford-upon-Avon, Enfield, Banbury and Epsom.

People want attractive, thriving city centres. There is a great need for low-priced car parks, good public transport and pleasant pedestrian shopping areas. In some areas standards of cleanliness in the High Street and Shopping Malls are regrettably poor. There is urgent need for joint action by the High Street associations to press for good conditions, especially in view of the substantial increase in rates now being paid by retailers.

STAFF

Good human relations have long been one of the foundations on which our business has been built and prospered. They have never been more important. They mean concern and care for the individual, clear communications and direct contact with staff. The Directors spend much time visiting stores and suppliers and talking to staff at all levels. Our staff feel involved in the business. Our good human relations policies are equally successful in Europe and in Canada.

All employees and pensioners benefit from the progress of the business. Salaries and pensions have been improved in the United Kingdom. In addition to profit sharing and non-contributory pensions we are introducing this year, subject to shareholders' approval, a Savings-Related Share Option Scheme. Our staff benefit from health care, subsidised meals and good working conditions. We keep personal contact with our long service pensioners.

THE COMMUNITY

In the early thirties Simon Marks and my father, who led the business, were moved by the bleak social and economic difficulties of the time into practical action for the welfare of their staff and the community. Although today conditions are different, we are concerned about the high level of unemployment. We have a responsibility to help young people who have difficulty in finding jobs. This year we will train 1,000 school leavers through the Work Experience on Employers' Premises Scheme. Through working for a time at Marks and Spencer, young people gain confidence and motivation, which we hope will be helpful to them in the future.

We continue giving to charity as part of our community involvement. We donated £995,000 and spent an additional £437,000 in other ways which help worthwhile causes. We continue to respond to small and local needs as well as national causes.

We have also seconded 17 experienced members of our staff for up to two years to community projects. They benefit incidentally from this wider experience. Our support is most effective when backed by personal involvement. The cost of the secondments was £165,000. Social involvement is good citizenship and good business.

We have made progress in a difficult year. We have been supported by a loyal staff, our suppliers and our customers. I thank them all.

Sieff of Brimpton

Summary of Results

Year to 31st March 1981

		1981 £million	1980 £million	Increase %
SALES (Excluding VAT and other Sales Taxes)				
UK Stores	Clothing etc.	1121·5	1022·5	9·7
	Foods	617·7	521·0	18·6
Direct Exports		22·3	26·3	(15·3)
		1761·5	1569·8	12·2
Overseas Stores	Europe	33·3	28·4	17·3
	Canada	78·1	69·7	12·1
TOTAL GROUP SALES		1872·9	1667·9	12·3
PROFIT BEFORE PROFIT SHARING, TAX AND MINORITY INTERESTS				
	UK	180·0	173·6	
	EUROPE	1·9	1·9	
	CANADA	2·5	1·3	
		184·4	176·8	4·3
EMPLOYEES PROFIT SHARING		3·2	3·1	4·9
TAXATION		80·6	79·3	1·7
GROUP NET PROFIT		99·5	93·9	6·0
DIVIDENDS	Ordinary Shares	49·6	44·3	12·0
	per share (pence)	3·8p	3.4p	
EARNINGS	per share (pence)	7·62p	7.21p	5·7

St Michael

A copy of the full Annual Report can be obtained by writing to The Secretary, Room C133, Michael House, Baker Street, London W1A 1DN.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILES

Eurobonds prove resilient

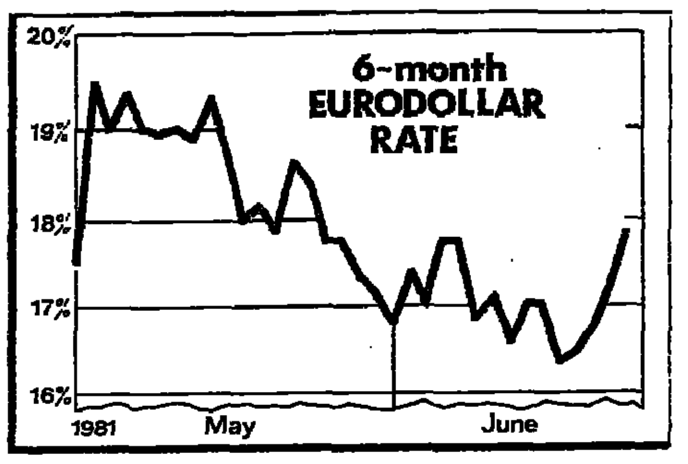
THE GLOOM which engulfed the New York bond market as U.S. interest rates soared last Thursday and Friday did not spread with the same vigour this side of the Atlantic.

Seasoned fixed interest dollar Eurobond prices did decline by ½ points during the past two trading days of the week, but that is a minor reaction if the large volume of new paper on offer is taken into account. Overall prices were unchanged on the week.

A total of $840m worth of dollar paper was offered last week, $625m of which was accounted for by straight bonds. Nearly as large an amount had been offered the week before.

A very large $400m issue for the World Bank was announced on Tuesday. Demand was good, though it became clear by Friday that the lead manager will have to price the issue at a realistic discount, and even increase the 14½ per cent coupon initially indicated, when the issue is priced today, if it is to be firmly placed.

Earlier this year the launch of such a large issue at a time when interest rates in the U.S. were soaring would have sent the Eurobond market into a spin. Not so last week, when it appeared that many European investors, notably the Swiss, remain convinced that dollar interest rates are basically headed down. The abrupt spurt of rates at the end of last week was seen as merely a short-term aberration.



A further factor came to the help of the World Bank jumbo. Unlike so many straight dollar issues this year, it has a coupon and a price which are open and which can be finally fixed at the end of the offering period.

Had this been a "bought" deal—that is an issue where final terms are agreed between the borrower and the lender at the start of the offering period—the story could have boasted a less than happy ending.

Other issues, such as the 14⅛ per cent bond to 1986 for the Province of Quebec, which appeared to offer tight terms when they were launched were finally placed in firm hands last week. The one exception was the $40m bond to 1989 for Lafarge Coppee which offers investors a semi annual coupon of 15½ per cent. This paper was not selling well, for two reasons.

First of all, investors have not forgotten the disastrous French Franc convertible issue arranged for this borrower by Credit Commercial de France earlier this year. Second, many banks in London and Paris thought it injudicious to bring a private French name to the market between the two rounds of the French general elections.

The D-Mark foreign bond sector had a good though short week as most houses were closed on Wednesday and Thursday. Prices gained ½ points over five days though losses were incurred at the end of the week under the impact of higher U.S. interest rates.

The 10½ per cent bond to 1991 for Girozentrale of Vienna was priced at a premium of 101, the first time such a happy event has occurred in this sector in 1981.

The German Capital Markets Sub Committee meets today but the Bundesbank is expected to warn bankers against any overloading of the new issue calendar for the month of July.

Swiss Franc bond yields appear to have reached a peak about ten days ago. The latest two public issues for prime quality borrowers include coupons of 7¼ per cent, as against 7½-8 only two weeks before. Buying of new and seasoned bonds is brisk.

Another sector where activity is brisk is the Yen one. Yen bonds for foreign borrowers are picking up, but quite a logjam built up after April when the Ministry of Finance in Tokyo raised its limit on Yen bonds for foreign borrowers for the April 1-September 1 period to Y250bn, a 25 per cent rise in the previous six month period. Coupons of between 8½-9 per cent are now the norm for high quality borrowers.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead managers	Offer yield %
U.S. DOLLARS							
‡†Genfinance NV	100	1992	11	5¼Φ	100	CSFB, EBC, Soc Gen de Banque	5.319Φ
‡†Mort. Bk Denmark	100	1989	7	6Φ	100	Krediet, Dai Ichi Kan.	6.000Φ
‡§Apache Int. Fin. NV	25	1996	15	9½	100	Dean Witter	9.500
‡Pepsico Cap Corp NV	75	1984	3	0	67½	CSFB	14.14
‡†Ireland	100	1988	7	5¼	100	SBC Int., Long Term Credit Bk of Japan	5.319
‡§Ajinomoto	40	1996	15	6	100	Nikko (Europe) Merrill Lynch Nomura Int.	6.000
‡Nordic Inv. Bank	20	1990	4.07	14⅝	100	Citicorp	15.16
‡Province of Quebec	75	1986	5	14⅛	99	SG Warburg	15.05
Lafarge Coppee	40	1989	5.49	15½	*	Citicorp, CCF	16.10
Pacific Lighting	50	1989	8	15¾	100	Morgan Stanley	15.750
World Bank	400	1986	5	14⅜	100	Deutsche Bank	14.375
§Furukawa Electric	50	1996	—	6-6½	100	Nomura Int.	6-6.25
†Zentralsparkasse	30	1991	—	5¼Φ	100	CSFB, SG Warburg	5.250Φ
§Tiger Ov. Fin. NV	30	1996	—	10¼	100	Goldman Sachs	10.250
†Nat. West. Fin. BV	125	1991	10	5¼Φ	100	County Bank	5.250Φ
‡Southern Cal. Edison	50	1988	—	14¾	99½	CSFB	14.93
D-MARKS							
‡Girozentrale und Bank	80	1991	10	10½	101	WestLB	10.58
SWISS FRANCS							
‡Nederlandse Gasunie	100	1991	—	7¼	100	SBC	7.25
Norges Kommunalbank	75	1991	—	7¼	100	Banque Gutzwiller	7.25
GUILDERS							
‡EIB	100	1991	8	12	100½	AmRo	11.900
YEN (bn)							
New Zealand	15	1986	—	8½	*	Daiwa Securities	*
EIB	20	1993	—	8½	*	Nikko Securities	*
World Bank	10	2001	—	8.9	*	Mitsubishi Trust	*
World Bank	10	1996	—	8.7	*	Mitsubishi Trust	*
EUA							
Nederlandse Gasunie	20	1988	5.6	11½	*	Kredietbank	*

CREDITS

BY PETER MONTAGNON

Yugoslavia returns to the market

THE National Bank of Yugoslavia is starting to crank up its 1981 borrowing programme, which is expected to raise about $2.2bn altogether to cover the country's wide balance of payments deficit and boost its reserves by $400m.

Bankers expect the programme to follow a similar pattern to last year when a $400m internationally syndicated credit was accompanied by a succession of bilateral deals with banks in individual countries enjoying particularly close trade relations with Yugoslavia.

Already Arab banks are being tapped for funds. A $250m credit with a margin of 1½ per cent over seven years has been launched through a group of banks in Kuwait.

The operation is highly unusual in that only $100m is denominated in U.S. currency with the remaining $150m to be raised exclusively through local institutions in Kuwaiti dinars.

Use of the Kuwaiti currency in syndicated credits is a very rare occurrence. With the local money market subject to very tight official control international borrowers and lenders have shied away from dinars because interest rate movements are so unpredictable.

A point of greater concern to the international banking community at large has been that the margin on this latest deal is the same as that on last year's National Bank "jumbo."

Some bankers say that it would be awkward if Yugoslavia insisted on such a margin for this year's international syndication particularly because of the intervening developments in Poland.

Political considerations play less of a role here—Yugoslavia is not a member of Comecon, although it is geographically close—than the fact that Poland's inability to pay its debt has set amber lights flashing on a number of countries with exceptionally high borrowing requirements.

A Yugoslav jumbo launched in today's market would be assured of a very lukewarm reception, bankers say, although they add that sentiment could change if and when an international bank rescheduling agreement with Poland is finally concluded.

Among other deals launched last week the Philippines is raising $100m over 12½ years in a loan co-ordinated by Lloyds Bank International with a margin of ⅞ per cent for the first six years rising to ⅞ per cent thereafter.

Pakistan is raising $150m through Bank of America, Chemical, and Citicorp at a margin of ⅞ per cent over London Interbank Rates for 15 months, substantially below the 1½ per cent and 1⅛ per cent Pakistan paid for similar credits last year, both of which were very well received.

The fate of the $1bn credit for Mexico's Banobras still appeared unclear at the end of the week as the borrower had still not managed to resolve its difference with the banks over some of the fine points in the loan documentation. However another Mexican deal, the $3.5bn bankers acceptance led by Bank of America for Pemex, has been a resounding success having gathered more than $4bn from the market and raising the possibility that it might be increased.

In Latin America the other major talking point at the end of last week was Argentina, where the projected $300m credit for the oil concern YPF has again been delayed to allow banks to gain a clearer picture of the current state of the economy.

Despite Press reports to the contrary, Argentine officials insist that no rescheduling of this year's debt maturities is planned, but they do acknowledge that confusion following the latest peso devaluation and the resignations of a number of prominent financial officials — the latest being those of the President and Vice-President of Banco de la Nacion — has made international banks very cautious about lending to Argentina.

U.S. BONDS

BY DAVID LASCELLES

Six-week rally grinds to a halt

THE CREDIT market learnt a stark lesson last week: the Federal Reserve is not yet ready to slacken the monetary range, no matter how convinced Wall Street may be that things are getting better.

Fed funds, which provide the best clue to the Fed's thinking, traded up sharply and averaged more than 20 per cent, some 2 per cent over the week before. The Fed did not even move to ease the pressure on Thursday when the rate rose to 23 per cent, an omission that sent shudders through the market.

This is also a time of year when the Fed should be supplying funds to the market for seasonal reasons. But apart from an end-of-the-week injection on Friday, it seems to be deliberately starving the demand for credit.

This depressing lesson brought the six-week-old rally in the bond market grinding to a halt as rates moved up in sympathy with Fed funds across most of the maturity spectrum. Dealers who had stocked up on bonds in the expectation of a drop in their carrying costs were forced to sell into a weakening market.

Those analysts who had been growing more optimistic about the market were puzzled by the Fed's refusal to budge given that the broad trend in money supply has been downward since mid-April. There were also preliminary indications last week that the GNP deflator (a widely watched inflation signal) could be in the 6 to 7 per cent range in the second quarter, well below the 10 per cent rate that most people have fixed in their minds. Economic activity is also slackening.

But the bulk of the analytical fraternity has been deeply sceptical about the rally all along, and last week's events only seemed to bear out their view that the profound problems facing the credit markets would never be solved by a superficial six-week improvement.

In their view, the Fed has both strategic and tactical reasons for sitting tight. With wage settlements still running at the 10 per cent a year level (and the air traffic controllers showing how militant workers can get) the Fed is clearly determined not to relax until inflation shows a solid downward trend. The latest consumer price statistics, for May, come out tomorrow. And while the M1 measures show encouraging money supply trends, M2, the broader measure which the Fed is now watching more closely, is still a little on the high side.

Having said that though, there is a chance that the markets will perform a little better in the days ahead. Last Friday's money supply figures were neutral, which was better than expected (M1a down $800m, M1b up $500m) and the Fed's round of weekend repurchase orders when Fed funds were trading just above 21 per cent brought some comfort.

The stop-go is playing havoc with corporate borrowing plans, however. IBM was forced to postpone its much awaited $250m bond issue last Thursday. General Foods was also down for $350m which had to be pulled back, though for a while Goldman Sachs, the underwriters, hopes to keep it alive by shortening the maturity.

This week there is the usual heavy calendar though it remains to be seen how much, if any, actually comes to market. Zerox Credit is down for $200m, GMAC for $500m, and Ford Motor Credit for $200m. The worry is that unless some of this demand for long-term funds can be satisfied soon, it will drift back into the short-term market and stoke up the pressure there. The Treasury is also due to sell $3.25bn of four year notes and $1.75bn of 30-year bonds.

U.S. INTEREST RATES (%)

	Week to June 19	Week to June 12
Fed Fnds wkly. avge	20.45	18.48
3-month Treas. bills	15.35	14.25
3-month CD	17.40	18.60
30-year Treas. bond	12.89	12.81
AAA Utility	14.75	14.87
AA Industrial	14.38	14.26
Visible supply of corporate bonds ($bn)	7.8	5.5

Source: Salomon Bros. and First Boston

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

JUNE 1981

U.S. $75,000,000

GRUPO INDUSTRIAL ALFA, S.A.

(Incorporated in the United Mexican States)

Floating Rate Notes Due 1988

Credit Suisse First Boston Limited

Algemene Bank Nederland N.V. — Bank of America International Limited
Bank of Toyko International Limited — Banque Bruxelles Lambert S.A.
Banque Nationale de Paris — Banque de Paris et des Pays-Bas
Commerzbank Aktiengesellschaft — Creditanstalt-Bankverein — Crédit Lyonnais
European Banking Company Limited — Manufacturers Hanover Limited — Samuel Montagu & Co. Limited
National Bank of Abu Dhabi — Nomura International Limited — Orion Bank Limited
Société Générale — Société Générale de Banque S.A.

Swiss Bank Corporation International Limited

Abu Dhabi International Bank, Inc. — Alahli Bank of Kuwait K.S.C. — Banco de Bilbao
Banco Totta y Açores — Banque Française du Commerce Extérieur — Banque Générale du Luxembourg S.A.
Banque de l'Indochine et de Suez — CIBC Limited — Clariden Bank — Credit Suisse First Boston (Asia) Limited
DG Bank Deutsche Genossenschaftsbank — Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft — Hessische Landesbank -Girozentrale-
Kuhn Loeb Lehman Brothers International, Inc. — Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
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Salomon Brothers International — Sanwa Bank (Underwriters) Limited — J. Henry Schroder Wagg & Co. Limited
Smith Barney, Harris Upham & Co. Incorporated — Standard Chartered Merchant Bank Limited — Toronto Dominion International Bank Limited
Union de Banques Arabes et Françaises–U.B.A.F. — S. G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale — Wood Gundy Limited

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am Air 13¼ 86 (WW)	65	100⅜	101⅛	0	+0½	14.96
Amoco 13¼ 88	75	95⅛	95⅝	0	−0¼	14.33
CIBC 14½ 84	125	98¼	98¾	−0¼	+0⅜	15.12
CIBC 15¼ 86	75	100⅝	101⅛	−0⅛	+0⅞	14.98
[illegible]	100	88⅛	88⅞	−1⅛	−0⅛	15.02
Citicorp O/S 12 87	200	90⅞	91⅜	−0¼	+0⅛	14.21
Citicorp O/S 15½ 84	175	99⅞	100⅜	−0⅛	+1⅛	15.44
Con Illinois O/S 9¾ 86	150	83½	84	−0¼	+0½	14.51
Dupont Canada 13½ 91	65	95⅜	95⅞	−0⅛	−0⅛	14.32
EIB 12⅛ 89	75	89⅛	89⅝	0	−0¼	15.13
Eldorado 13¼ 86	50	94⅝	95⅛	0	+0⅝	14.78
Elec de France 13 88	125	92¼	92¾	−0⅛	0	14.81
Export Dv. Cpn. 9½ 86	150	82½	83	−0⅛	−0⅛	14.92
Fed. Bs. D. 12⅜ 85 (N)	50	92⅛	92⅝	−0⅛	−0⅛	14.65
Fed Bs. D. 15¾ 84 (J)	40	100⅝	101⅛	0	+0⅛	15.30
Fin Exp Credit 10½ 85	50	85	85½	0	+0⅜	15.70
Finland, Rep. of 9½ 86	100	80⅛	80⅝	−0⅞	+0⅛	15.62
Ford Cr. O/S Fin. 16 84	150	102⅛	102⅝	0	+0½	14.74
Gaz de France 13½ 86	80	95½	96	−0⅛	−0⅛	14.77
GMAC O/S Fin. 12 87	100	87⅞	88⅜	−0⅛	−0⅛	15.00
GMAC O/S Fin. 12⅞ 88	100	91¼	91¾	0	+0⅛	14.93
Gen. Mtrs. O/S 11¾ 87	100	88	88½	−0⅛	+0⅜	14.88
Genstar 14½ 91	50	98	98½	−0⅞	−0⅜	15.07
GTE Fin. 13¼ 85 (WW)	50	96	96½	−0⅛	−0½	14.86
Hiram Walker 16 85	50	102¼	102¾	−0⅛	−0⅛	15.23
[illegible] Wld Trade 12½ 88	200	95⅜	95⅞	−0⅞	−1	13.50
Newfoundland 13½ 90	60	94½	95	−0⅛	+0½	14.56
Nova Scotia 10¾ 90	50	81⅞	82⅜	−0⅞	−1⅞	14.45
OKB 10 85	50	85⅝	86⅛	−0⅛	−0⅛	14.85
Ontario Hydro 13½ 91	100	95	95½	−0⅛	+0¼	14.40
Quebec Hydro 11½ 92	100	83⅛	83⅝	0	+0⅛	14.63
Queb Hy 13 91 (WW)	100	89	89½	−0⅛	+0½	15.15
Royal Bk. Canada 14 86	100	98⅜	98⅞	−0⅛	+0⅛	14.45
SNCF 13 91	75	91¼	91¾	+0⅛	−0½	14.66
Sth. California Ed. 14 87	50	97½	98	0	−1	14.56
Sven Handlsbk 13¾ 88	45	93½	94	−0¼	+0½	15.25
Sweden 12½ 85	150	91⅜	91⅞	−0¼	−0½	15.23
Swed. Ex. Credit 13 86	75	91⅞	92⅜	−0¼	+0¼	15.54
Swed. Ex. Cred. 15¾ 86	50	100⅛	100⅝	−0⅞	+0⅛	15.[illegible]
Tordom Corpn. 15½ 86	25	100⅞	101⅜	0	0	15.16
Toronto-Dom Bk. 14 84	50	97⅜	97⅞	0	+0⅛	15.15
Tribune O/S Fin. 14 86	50	96⅜	96⅞	−0¼	0	14.99
Wells Fargo Int. 15½ 84	50	100⅛	100⅝	−0⅛	−0¼	15.27
World Bank 9⅜ 85	200	85⅜	85⅞	0	−0¼	14.87
World Bank 10¼ 87	300	82⅞	83⅜	−0¼	−1⅛	14.75

Average price changes On day −0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 10 91	100	99⅛	99⅝	−0⅞	+0⅞	10.19
Austria, Rep. of 8⅝ 92	150	86⅞	87⅛	+0¼	+0⅝	10.27
CECA 7⅞ 92	150	85⅞	86⅝	−0⅞	+0⅜	10.00
CECA 10 91	120	100⅞	101⅞	−0⅛	+0⅜	9.78
CU-Honeywell 8½ 90	125	88½	89	−0½	+0⅛	10.35
Council of Europe 10 91	100	99	99½	−0⅞	0	10.09
EIB 8½ 90	200	88⅞	89⅜	−0⅞	+0½	10.41
EIB 10½ 91	200	101	101½	+0¼	+0⅞	10.26
ESCOM 9⅜ 87	100	91⅞	91⅞	−0½	+0⅜	11.16
Finland, Rep. of 10 89	100	97⅛	98⅛	−1⅞	−0⅞	10.40
Iberduero SA 9 90	100	89	89½	0	+2⅞	10.89
Ind. Bk. Finland 8½ 90	50	88⅞	89⅜	−0⅛	+0½	10.37
Int-Am. Dv. Bk. 10 91	100	100	100½	−0¼	−0⅛	9.92
Japan Air Lines 8⅞ 87	100	91½	92¼	−0⅛	+0⅜	9.88
Japan Dev. Bk. 7⅞ 87	100	87⅝	88⅛	−0⅛	+0⅛	10.33
Kobe, City of 8 90	100	87⅝	88	−0⅛	+1½	10.15
Midland Int. Fin. 8½ 90	190	88⅞	89⅜	−0⅛	+0½	10.34
Nuclebras 9⅞ 88	100	85⅞	86⅞	+0¼	+1½	12.87
OKB 8⅞ 92	150	85½	86¼	0	+1⅞	10.47
Oslo, City of 8⅞ 90	80	90⅞	91½	+0⅛	+0⅞	10.33
Venezuela, R. of 9⅞ 90	150	94⅞	94⅞	−0¼	+1½	10.69
World Bank 8 90	700	86⅞	87¼	−0⅞	+0⅞	10.28
World Bank [illegible]	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 10 88	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aerospat. Paris 6½ 91	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE 6⅛ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil Int. Fin. 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 6⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bhmn -Tetterode 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] de France 5½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 5½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F G H. Hypo. Bk 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Franc. Petroles 6⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dv. Bk. 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bk. 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKS 7 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cred. 7¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. Fin. 5⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk 8⅛ 91	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 8⅛ 88	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7¼ 88	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 5.6 83	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6.8 88	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 8⅞ 87	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.08
CIBC 13⅞ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.40
CIBC 11½ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.02
Federal Dev. 11½ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.41
Fst. Can. Inv. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.15
R. Bk. Canada 10 88 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.17
Tordom Cpn. 13¾ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.26
M. Bk. Dnmk. 9 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.92
SOFTE 8⅞ 89 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.52
U. Bk. Nwy. 8⅞ 90 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.11
Algemene Bk. 10¾ 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.58
Bk. Mees & H. 10 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.87
Heineken NV 10 87 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.57
Nat. Nedrindn. 10 88 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.14
Ned. Midd. Bk. 10 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.89
Pierson 10¾ 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.84
Air France 14¼ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.80
Bk. America 14¼ 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.56
Charb'nages 13¾ 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.75
EIB 14¼ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.69
La Redoute 14¼ 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.41
OKB 14 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.39
Solvay et C. 14¼ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.96
Swed. E. C. 14¼ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.57
U. Mex. Sts. 14 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.66
Acona 14 85 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.85
Beneficial 14¼ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.75
BNP 13¼ 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.36
CECA 13¾ 88 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.28
Citicorp O/S 13½ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.64
Fin. Ex. Cred. 13¼ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.69
Gen. Elec. Co. 12¾ 89 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.89
Hiram Walker 14¾ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.44
Privatbanken 14¼ 88 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.23
Rothschild 14¼ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.38
Royal Trustco 14 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.07
Swed. Ex. Cr. 13¾ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.45
Banobras 8¾ 90 KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.95
CCCE 8¼ 91 KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.05
Sonatrach 8¾ 90 KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.66
Akzo 9⅞ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.56
Euratom 9¾ 88 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.83
Eurofima 10½ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.52
EIB 9¼ 88 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.08
Volvo 9⅞ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.73

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 5¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BBL Int. 5 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNT 5¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Christiania Bk. 5½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C. Itoh 5¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Co-operative Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Den Norske Credit 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genfinance 5½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Girn und Bank 5¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan 5¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan 5¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Eurofin [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Eurofin [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan 5¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Man. Hanov. O/S 5¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch O/S [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Bk. Canada [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sparebanken 5 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Chart. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Svenska Hndlsbk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes On day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon 6¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse 4¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Digicon Fin 8⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ina Overseas 8¾ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Konishiroku Co. 7 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marion Int. Fin. 9 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Matsushita El. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NKK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo M. Ind. 7 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyu Land Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tranace Int. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricom [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. 5 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharp Cpn [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	2,717.8	5,827.5
Previous week	1,713.4	4,430.1
Other bonds		
Last week	698.7	324.3
Previous week	339.7	802.8

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK: Kredietbank NV; Credit Commercial de France: Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London: Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 19

هكذا من الأصل

Companies and Markets

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	June 19	June 18	June 17	June 16	June 15	June 12	1981 High	1981 Low	Since Cm'pil't High	Since Cm'pil't Low
*Industr'ls	995.79	995.15	1008.68	1003.33	1011.88	1006.29	1024.05 (27/4)	951.57 (15/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds	61.55	61.57	62.22	61.93	61.40	60.79	65.78 (15/1)	58.37 (7/6)	—	—
Transport.	420.25	417.64	418.64	418.11	422.56	428.34	447.38 (16/4)	379.78 (20/2)	447.38 (16/4/81)	12.25 (8/7/32)
Utilities	110.26	110.76	111.68	111.87	112.65	110.08	117.81 (5/1)	105.99 (5/6)	165.52 (20/4/69)	10.5 (28/4/42)
Trading Vol. 000's	48,480	48,460	55,470	57,780	65,550	50,780	—	—	—	—

*Day's high 1002.85 low 988.77

Ind. div. yield %	June 12	June 5	May 29	Year ago (approx)
	5.48	5.62	5.61	6.02

STANDARD AND POORS

	June 19	June 18	June 17	June 16	June 15	June 12	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	148.48	147.64	149.47	147.90	149.60	149.83	157.92 (6/1)	145.75 (2/2)	160.98 (28/11/80)	3.52 (30/6/32)
Composite	132.27	131.64	133.32	132.15	133.61	133.49	138.12 (6/1)	126.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	June 10	June 3	May 27	Year ago (approx.)
Ind. div. yield %	4.76	4.79	4.68	5.12
Ind. P/E Ratio	9.46	9.14	9.37	7.75
Long Gov. Bond yield	12.56	12.86	13.01	9.75

N.Y.S.E. ALL COMMON

June 19	June 18	June 17	June 16	1981 High	1981 Low
75.78	76.40	77.34	76.80	79.14 (6/1)	72.45 (20/2)

Rises and Falls	June 19	June 18	June 17
Issues Traded	1,902	1,903	1,905
Rises	693	452	782
Falls	816	1,113	754
Unchanged	393	338	369
New Highs	—	53	62
New Lows	—	10	25

MONTREAL

	June 19	June 18	June 17	June 16	1981 High	1981 Low
Industrials	404.45	403.72	402.83	398.74	409.56 (27/5)	358.28 (20/2)
Combined	372.60	372.09	371.44	369.53	375.16 (27/5)	339.34 (20/2)
TORONTO Composite	2350.6	2345.6	2339.7	2341.6	2378.8 (10/4)	2151.4 (20/2)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Exxon	737,300	35⅝	+ ¾	Atlantic Rich.	422,700	45⅝	+ ½
Sony	569,900	22⅞	− ⅛	Citicorp.	413,900	29	+ ⅛
Sth. Cal. Edison	547,800	36⅝	− ⅛	Smith Kline	380,900	80⅛	−3⅛
Texaco	516,300	34⅞	+ ⅛	Amer. Express	351,100	50⅞	−1
Sears Roebuck	454,200	19⅝	− ⅛	Gulf Western	347,800	21	− ⅝

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Financial Rand US$0.83¾ (Discount of 27½%)

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Prestel used in services for the deaf

A TELEVISION information service for deaf and hard of hearing people, and those concerned with their welfare, has been initiated by the Royal National Institute for the Deaf, using the Prestel system.

It gives details of services provided by the institute, outlines methods of communicating with deaf people and offers practical advice on hearing protection. The programme draws attention to the dangers of noise levels in discos and workplaces and points to the possible adverse effects of using DIY power tools in confined spaces without earplugs.

KCA Drilling Group P.L.C.

Offer for Sale
by
Charterhouse Japhet Limited
of
20,000,000 Ordinary shares of 25p each at 95p per share

The Application List opens at 10.00 a.m. on 26th June, 1981 and may close at any time thereafter.

This Document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to KCA Drilling Group P.L.C. ("the Company"). The Directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or of opinion. All the Directors of the Company accept responsibility accordingly.
Two copies of this Document, having attached thereto the documents referred to herein, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for all the issued Ordinary shares of the Company to be admitted to the Official List.

Share Capital

Authorised		Issued and agreed to be issued fully paid
£25,000,000	in 100,000,000 Ordinary shares of 25p each	£20,000,000

The Ordinary shares now offered will rank in full for all dividends hereafter declared or paid.

Indebtedness

At the close of business on 30th April, 1981 the Company and its subsidiaries had outstanding the following bank indebtedness:

	£
Bank overdrafts—secured	12,383
Short term loans—unsecured	1,000,000
Loans repayable within one year—secured	731,269
Loans repayable between one and two years—secured	473,365
Loans repayable between two and five years—secured	2,173,269
Loans repayable after five years—secured	324,293
	4,714,579

At that date the Company and its subsidiaries also had outstanding £22,260,000 owing to KCA International Limited, of which £5,200,000 has since been capitalised, £8,760,000 will be repaid out of the proceeds of the Offer for Sale and £8,300,000 will remain as a term loan to the Company.

At that date certain of the subsidiaries of the Company had outstanding guarantees in favour of The Royal Bank of Canada (London) Limited ("RBC") for US $32,285,195 (equivalent to £15,086,540), which that bank has undertaken to release following the completion of the Offer for Sale.

Save as disclosed herein and apart from intra-group liabilities, at 30th April, 1981 the Company and its subsidiaries had no loan capital (including term loans), outstanding or created but unissued, or borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges or guarantees or other material contingent liabilities.

BOARD OF DIRECTORS

PAUL LANFEAR HAROLD BRISTOL (Chairman)
Charleston Manor, West Dean, Nr. Seaford, Sussex

ALEXANDER CHRISTOPHER BARNARD
Tighnait, Fochabers, Morayshire, Scotland

MICHAEL ALEXANDER McDOWELL
59 Heathermount Drive, Edgecumbe Park, Crowthorne, Berkshire

SIR GERALD KENNEDY NICHOLAS TREVASKIS
114 Grove Lane, London SE5

SECRETARY AND REGISTERED OFFICE

ALEC WILLIAM JAMES BANYARD, F.C.C.A.
Kingsnorth-on-the-Medway, Hoo, Rochester
Kent ME3 9ND

ISSUING HOUSE

CHARTERHOUSE JAPHET LIMITED
1 Paternoster Row, St. Paul's, London EC4M 7DH

STOCKBROKERS

CARR, SEBAG & CO.
Windsor House, 39 King Street, London EC2V 8BA

SOLICITORS TO THE OFFER

LINKLATERS & PAINES
Barrington House, 59/67 Gresham Street
London EC2V 7JA

SOLICITORS TO THE COMPANY

DURRANT PIESSE,
73 Cheapside, London EC2V 6ER

BANKERS

THE ROYAL BANK OF CANADA (LONDON) LIMITED
107 Cheapside, London EC2V 6DT

and

WILLIAMS & GLYN'S BANK LIMITED
Holt's Whitehall Branch, Kirkland House, Whitehall,
London SW1A 2EB

AUDITORS AND REPORTING ACCOUNTANTS

DEARDEN FARROW, Chartered Accountants
1 Serjeants' Inn, London EC4Y 1JD

RECEIVING BANKERS

CHARTERHOUSE JAPHET LIMITED
1 Paternoster Row, St. Paul's, London EC4M 7DH

REGISTRARS

DEARDEN FARROW
Bourne House, 34 Beckenham Road, Beckenham
Kent BR3 4TU

SUMMARY

The following information concerning KCA Drilling Group P.L.C. and its subsidiaries ("the Group") is derived from the full text of this document and accordingly must be read in conjunction with that text.

OWNERSHIP

KCA Drilling Group P.L.C. ("the Company") is a wholly-owned subsidiary of KCA International Limited ("KCA"). Following the Offer for Sale KCA will hold 75% of the issued share capital of the Company.

ACTIVITIES

The Group is engaged in the business of onshore and offshore drilling. It owns and operates twelve drilling and workover rigs and operates a further six drilling rigs, located in various parts of the world. It also owns a technically advanced drillship which is expected to be completed and ready to commence a two year contract in August, 1981.

USE OF PROCEEDS AND FUTURE POLICY

The net proceeds of the Offer for Sale, amounting to £18 million, will be used to finance the completion and equipping of the drillship, both by repaying part of the existing indebtedness incurred for that purpose and by paying for some of the outstanding costs of the drillship. It is the future policy of the Company to expand by means of the acquisition of drilling and other companies and the purchase of further rigs.

PROFIT RECORD AND FORECAST

Year ended 31st December	1979	1980	1981 (Forecast)	1981 (Notional*)
	£'000	£'000	£'000	£'000
Turnover	14,367	16,849	28,000	37,000
Profit before taxation	2,754	3,472	5,200	8,200
Profit after taxation	1,682	2,035	3,500	6,500

* The notional profit forecast represents the 1981 Forecast adjusted to allow for the forecast first full year's profit contribution from the drillship and the use of the Offer for Sale proceeds for a full year.

NET ASSETS

(a)	†Net tangible assets attributable to shareholders (at book cost) as at 31st December, 1980	£24.9 million
	†Net tangible assets per share	31.1p
(b)	†Net tangible assets as at 31st December, 1980 adjusted for revaluation of fixed assets	£59.4 million
	†Net tangible assets per share	24.2p

†Adjusted per pro-forma balance sheet set out below.

OFFER STATISTICS

	Offer for Sale price	95p per share
	Market capitalisation at Offer for Sale price	£76.0 million
(a)	1981 forecast earnings	5.0p per share
	Price earnings multiple at Offer for Sale price	19.0 times
(b)	1981 forecast notional earnings assuming the forecast first full year's profit contribution from the drillship and the use of the Offer for Sale proceeds for a full year	8.1p per share
	Price earnings multiple at Offer for Sale price	11.7 times
	Gross dividend yield on annual basis at Offer for Sale price	5.64%

INTRODUCTION

KCA Drilling Group P.L.C. ("the Company") is a subsidiary of KCA International Limited ("KCA"), which is a publicly listed holding company, the activities of whose subsidiary and associated companies include contract drilling, the supply of drilling fluids and chemicals, the refining and marketing of barite, oil and gas exploration, development and production and commercial vehicle engineering services. The stated policy of KCA is to develop as an oil finance house similar in concept to a mining finance house where the holding company exercises management control and provides management and financial expertise for its subsidiary and associated companies.

The Company and its subsidiaries ("the Group") are engaged in the business of onshore and offshore drilling. The Group currently owns and operates twelve drilling and workover rigs, of which ten work onshore in Libya, North America, Turkey and the United Kingdom and two work offshore in the North Sea. The Group operates a further six rigs, three of which are located in Pakistan and one each in Turkey, the United States and the North Sea. In addition, it owns a technically advanced drillship, the construction of which is expected to be completed in July, 1981 and which is contracted to commence drilling under a two-year agreement in August, 1981.

In 1980, KCA successfully floated off to the public a majority interest in Berkeley Exploration and Production Limited, a company which owned the KCA group's North Sea exploration interests. The KCA Board has decided that it is now appropriate to float off a minority interest in the KCA group's onshore and offshore drilling activities. This will provide investors with an opportunity to invest directly in a drilling contractor and will give the Company access to new sources of finance.

The Company will be the only listed United Kingdom company exclusively involved in the onshore and offshore drilling industry, an industry which has shown rapid growth in recent years. Following the Offer for Sale the Directors of the Company believe that it will have the sound profit, asset and management base from which it will be able to grow further both by internal growth and the acquisition of drilling and other companies.

There are being offered for sale to the public 20 million new Ordinary shares of 25p each in the Company, including 1 million shares which will be made available in priority to meet applications from employees of the Group. The shares now offered represent 25% of the enlarged issued share capital. The money raised, which will amount to approximately £18 million net of expenses, will be used to finance the completion and equipping of the drillship, both by repaying existing debts incurred for that purpose and by paying for some of the outstanding costs. Following the issue, KCA will hold 60 million Ordinary shares of 25p each of the Company (representing 75% of the issued share capital) which it intends to retain for the foreseeable future. While KCA does not intend to sell any of its existing shares in the Company, its percentage holding of the Company's equity may in due course reduce on account of further issues of the Company's shares. KCA has given a number of undertakings, described below in order to provide certain assurances to public minority shareholders in the Company, while KCA remains the *controlling shareholder.*

DRILLING INDUSTRY

The contract drilling industry has grown rapidly in recent years. Following the dramatic rise in oil prices since 1973, there has been a considerable increase in the amount of drilling activity throughout the world. This has significantly increased demand for both onshore and offshore drilling rigs. In 1970 the Petroleum Engineer Journal's Rig Locator reported approximately 1,800 drilling rigs operating onshore in Canada and the United States, 260 elsewhere in the non-communist world and approximately 270 rigs operating worldwide offshore. The same source now estimates that there are in excess of 3,900 rigs operating onshore worldwide and approximately 800 offshore.

During the past decade contract rates for land rigs have risen steadily, largely reflecting increases in equipment and operating costs. Rates for offshore mobile rigs have also increased over the same period except from 1976 to 1978 when the building of too many semi-submersibles for North Sea operations led to depressed charter rates. However, rates have risen steadily since 1978 and are now at an all time high.

The Directors believe that the current strength of both the onshore and offshore drilling markets will be maintained for several years. As the larger fields are depleted it is necessary to explore other prospective areas and exploit a greater number of smaller fields which, with the rising oil price, become increasingly viable. Further, onshore drilling in the United States, by far the largest drilling market in the world, has been much encouraged by oil and gas price deregulation which has led to a build-up of drilling activity in that country. Offshore drilling by means of both drillships and semi-submersibles is also expected to continue to benefit from the growing search for oil and gas in deeper waters.

Worldwide expenditure by US oil companies on exploration and production drilling has risen from US $21 billion, in 1977, to approximately US $37 billion in 1980. To sustain current levels of oil and gas production in the United States over the next ten years it has been estimated that drilling expenditure, after allowing for inflation, will amount to US $800 billion.

The drilling industry includes a number of major companies. However, there is also a large number of smaller drilling companies, of which the Group is one, which are able to compete effectively in this fast growing industry.

HISTORY

The Company was incorporated in England on 29th June, 1972 as a private company. In August, 1972 the Company acquired the whole of the issued share capital of Keir & Cawder Arnscot Drilling Co. Limited which had, as one of its subsidiaries, KCA Drilling Limited ("KCAD"). The same month the Company became a public company when 1,050,000 shares were offered to the public and a listing was obtained on The London Stock Exchange.

In 1974, KCA (then called Berry Wiggins & Co. Limited) acquired approximately 80% of the Company. The remaining 20% was acquired by KCA in 1975.

KCAD was incorporated in Scotland in 1957 for the purpose of undertaking drilling contracts throughout the world for international oil companies. Before becoming a subsidiary of the Company in 1972, KCAD had undertaken drilling contracts in Turkey, Libya, Nigeria and the United Kingdom. In 1973 KCAD was awarded a drilling contract on Mobil's Beryl 'A' Field, for which two platform rigs were ordered.

In 1974, prior to the acquisition of the Company by KCA, KCAD won a contract to carry out land drilling with four rigs for Sonatrach, the national oil company, in Algeria. Because of contractual difficulties KCAD and Sonatrach agreed to terminate the contract in 1977.

The Mobil contract has been successful and, as a result of contract renewals, KCAD has continued to operate its two drilling rigs on the Mobil Beryl 'A' Field platform since 1975.

Since KCA became the parent company in 1974, KCAD has also carried out drilling work in the Forties Field in the North Sea and in Nigeria, Turkey and Libya. In 1980 KCA Drilling (Canada) Ltd., a subsidiary of KCAD, commenced drilling with three rigs in North America. In the same year KCAD signed a management contract in respect of drilling operations in Pakistan. In May, 1981 the Company acquired from KCA the whole of the issued share capital of KCA Offshore Drilling Limited ("KCAOD") which owns the drillship described below.

BACKGROUND TO THE GROUP'S BUSINESS

The Group operates 18 drilling rigs (of which it owns 12) which are employed in both onshore and offshore drilling programmes and workover services, principally for oil and gas producers. In addition to its rigs the Group provides the crews and most of the ancillary equipment used in conjunction with the rigs. More recent developments have included the provision of technical expertise in various parts of the world where the Group has become involved in management and labour contracts and the acquisition of a drillship which is shortly to commence operations.

The following table sets out certain information relating to the drilling rigs owned by the Group.

Rig Number	Type	Rated Depth (feet)	Current Location
51	Drilling rig	20,000	North Sea
52	Drilling rig	20,000	North Sea
94	Workover rig	13,000	UK
83	Drilling rig	10,000	Libya
100	Drilling/Workover rig	6,000/12,000	Libya
101	Workover rig	12,000	Libya
102	Workover rig	12,000	Libya
103	Workover rig	12,000	Libya
71	Drilling rig	12,000	Turkey
C1	Drilling rig	9,000	Canada
C2	Drilling rig	12,000	USA
C3	Drilling rig	12,000	USA

Each of the drilling rigs consists of engines, drawworks, mast, pumps to circulate drilling fluid, blowout preventers, the drillstring and related equipment. The engines power a rotary table that turns a bit consisting of rotating cones covered with sharp teeth, so that the hole is drilled by grinding through rock, which is then carried to the surface by the drilling fluid. The intended well depth and the drilling site conditions are the principal factors that determine the size and type of rig most suitable for a particular drilling contract.

Workover rigs are also equipped with engines, drawworks, mast and blowout preventers but on a smaller scale than a drilling rig. Workover rigs are used to complete new wells after the hole has been drilled, and for various downhole problems that occur in old producing wells.

Further details of the Group's rigs are contained in Appendix 2.

The Group's drilling and workover contracts are obtained either through competitive bidding or on a negotiated basis. The terms and rates vary, depending upon competitive conditions, the location, duration and complexity of the work, and the equipment and other services provided.

Drilling contracts are usually on a footage or dayrate basis. Under a footage contract, a contractor is paid a fixed charge for each foot drilled. Under a dayrate contract, the contractor receives a fixed charge per day for drilling a well. Both footage and dayrate contracts usually provide that the contractor is paid for movement of equipment to the drilling site between such contracts. Normally a contractor will also be paid to keep a rig on standby. With the exception of one rig in Libya, which is on a footage contract, all the Group's drilling contracts are currently on a dayrate basis. Most contracts contain escalation clauses that provide for additional payments to cover increases in defined operating costs. All of the Group's contracts presently provide for payment during the time a drilling unit is moved to a new drilling site while still under the same contract.

The Group's contracts tend to be for an initial term of two years and in many instances have subsequently been extended. The extensions usually provide for continuity of work for a period of at least one year. *Certain contracts are subject to termination by the operator at short notice. This right of termination is* common in the industry and is rarely exercised. Seven of the Group's contracts expire during 1981. Although no assurances can be given, the Board believes that all of these contracts will be renewed upon termination, or similar contracts will be entered into with other operators.

The Group has a comprehensive drilling capability and is actively engaged in drilling, exploration and workover services on a worldwide basis. The Group's activities consist of drilling, workover services and labour contracts. The breakdown of turnover between these activities in 1980 was as follows:

	£'000
Drilling	11,913
Workover	2,719
Labour Contracts	2,217
	16,849

Drilling Operations

Drilling operations are conducted in accordance with the operator's requirements. The rig required to drill a well will depend upon such factors as geographical location, depth of the proposed drilling programme and geological conditions. During the drilling of a well the contractor is responsible for monitoring the well bore to ensure that stable conditions are maintained until the required drilling depth is reached.

Once a new well has been drilled, and the presence of hydrocarbons in commercial quantities has been confirmed, various additional operations must be performed to enable production to begin. Unless the well is very deep or has encountered high pressure formations, the drilling rig will often move off location to permit a lighter and more economical rig to be used to install production equipment in the well. The rigs and crews utilised in completion services may also be used to perform workover services.

Workover Services

Workover services are required at various times throughout the lives of most wells for a variety of reasons including the maintenance or replacement of equipment, the perforation of new producing zones within the well, the repair of casing leaks and wireline services. Most oil well maintenance or repair services relate to mechanical equipment or other downhole devices which are subject to wear in operation. Maintenance is often required in order to remove and replace worn or broken sucker rods, production tubing, *downhole pumps and other downhole or artificial lift equipment. Gas well maintenance is* infrequent as gas wells normally flow under their own pressure and do not use pumping equipment.

Labour Contracts

Drilling contractors are often called upon to supply personnel, particularly those in senior grades to operate or to supervise operations on rigs owned by an operator. This type of contract is most common in countries with a developing indigenous oil industry.

Engineering Services

The Group has an engineering capability through its subsidiary KCA Engineering Limited ("KCAE"), a joint venture company in which KCAD and Zenith Capt Limited have 75% and 25% interests respectively. KCAE provides a variety of engineering services for the Group and third parties. These services include engineering design, project management and construction supervision for onshore and offshore drilling rigs. KCAE has also developed a computerised rig maintenance programme which the Group employs on its offshore rigs.

THE GROUP'S CONTRACT DRILLING OPERATIONS

The Group carries on contract drilling, both onshore and offshore, in many parts of the world. The breakdown of the Group's turnover and profit, before allowing for overheads and taxation, from its different areas of activity during 1980 was as follows:—

	Turnover £'000	Profit £'000
North Sea and UK	5,043	1,329
Libya	5,213	887
Turkey	3,366	1,579
Pakistan	936	178
Bangladesh	256	93
Canada and United States	2,035	130

Libya

The Group has operated in Libya since 1958 where it has worked principally for Oasis Oil Co. of Libya Inc. ("Oasis"), which operates on behalf of the Libyan National Oil Corporation, Amerada Petroleum Corporation of Libya, Continental Oil Company of Libya and Marathon Petroleum Libya Limited. At present the Group has five rigs in Libya, four of which are contracted to Oasis and one to Mobil Oil Libya Limited.

Rig 83 is a Midco U36EA medium depth drilling rig which was originally contracted to Oasis in January, 1979. The contract had a two year term but has been extended to December, 1981, and the Directors anticipate that it will be further extended. The contract is a footage contract and operations are performed on a 24-hour, day by day basis. In certain circumstances drilling can take place on a dayrate basis. The rig is engaged in development drilling in the South Defa and other fields.

The Group's Rigs 101, 102 and 103 are Cabot/Franks Explorer III Sahara Rocket medium depth workover rigs and have been contracted to Oasis since July, 1977. The contract initially had a two year term but has been extended annually. This contract is due to expire in December, 1981, although the Group anticipates that it will be further extended. The contract is a dayrate workover contract and operations are performed on a 12 hour, day by day basis. The rigs are utilised in the Waha Field at locations specified from time to time by Oasis.

Rig 100 is a Cardwell medium depth rig which is suitable for both drilling and workover operations. A contract has recently been signed with Mobil for the rig to be utilised on a 12 hour, day by day basis for an initial period of 6 months. The contract provides for three-monthly extensions should Mobil's requirement for the rig exceed the initial period. The rig will commence workover operations in June, 1981 and will operate on the Amal, Hofra and Al Ghani concessions.

The Group's operations in Libya currently employ 60 expatriate and 120 local personnel and, in view of the Group's past satisfactory working relationship in Libya, the Group expects to maintain a significant drilling presence in that country.

Turkey

The Group first started drilling operations in Turkey in 1957 and since that date it has always had one or more rigs on contract to NV Turkse Shell ("NVTS") with release periods to drill exploration or production wells for Mobil and BP.

At present the Group has one rig in Turkey. Rig 71 is a National 80-B medium depth land drilling rig. The current contract commenced in April, 1976 and was extended indefinitely in July, 1977, subject to termination, by either party, on ninety days' notice. The contract is a dayrate contract and operations are performed on a 24 hour, day by day basis. The rig is utilised on an exploration and production drilling programme in south east Turkey.

The Group currently employs 17 expatriate and 108 local personnel in Turkey who are engaged both in drilling exploration and production wells with the Group's own rig, and is carrying out workover duties with one of NVTS's rigs.

North America

The Group currently owns three drilling rigs in North America, two of which are located in the United States and the other in Canada. Drilling operations in North America commenced in March, 1980.

Rig C1 is a National 55 medium depth drilling rig which is on contract to Hudsons Bay Oil and Gas Company Limited on an exploration programme in Alberta. The contract was signed in March, 1980 and expires in March, 1983.

Rig C2, a National 80-B medium depth drilling rig, has been operating in Montana for The Superior Oil Company since October, 1980. This rig is currently operating on an informal extension of the original 150 day contract and negotiations are in progress for a further 12 month contract.

Rig C3 is a National 80-B medium depth drilling rig which is on contract to Universal Resources Corporation. The rig is engaged on exploration work in North Dakota. The present 2 year contract expires in October, 1982.

In addition to the above-mentioned rigs the Group also manages a medium depth drilling rig which is owned by another subsidiary of KCA and which is on contract to The Superior Oil Company in Texas until April, 1982.

The Group currently has approximately 50 personnel employed on these rigs in North America.

United Kingdom

The Group has carried out work in the United Kingdom for several companies, principally the British Gas Corporation and also Shell Exploration UK Limited. Rig 94, a Cabot 550 workover rig, is on contract to the British Gas Corporation at Atwick, Yorkshire and is completing the leaching of several underground storage caverns. Periodic releases of this rig to Shell have been granted by the British Gas Corporation during which the rig has been moved to Bacton, Lincolnshire where it has been used to carry out work connected with Shell's North Sea operations.

The Group currently has 7 personnel employed on this rig.

Pakistan

The Group signed a management contract in April, 1980 with the Oil and Gas Development Corporation ("OGDC") of the Pakistan Government for the development of the Toot oilfield. This contract, which runs until April, 1982, provides for the management, supervision, operation and maintenance of three drilling rigs and the training of Pakistani nationals. The Toot development programme is undertaken under the auspices of the World Bank.

The Group currently employs 47 expatriate personnel in Pakistan. The local personnel involved in this contract are employed by OGDC.

Other Onshore Activitities

The Group has recently provided technical assistance for drilling operations in Bangladesh and India.

The Beryl Field—North Sea

Since 1975 the Group has had two National 1320-UE rigs, Rigs 51 and 52, on contract to Mobil North Sea Limited for use on the Beryl 'A' platform in the North Sea. This contract includes the design, engineering, procurement, installation and hook-up of two drilling modules, the establishment and operation of support base and warehouse facilities in Aberdeen and the provision of qualified drilling crews to drill production and injection wells to total depths of 17,000 feet. The contract was extended from January, 1980 for a further period of two years following which Mobil North Sea Limited has an option to extend the contract by two further periods of twelve months.

The Group currently employs 104 personnel on these two rigs.

Other Offshore Activities

Between 1974 and 1977, the Group carried out a drilling programme on the BP Forties 'A' platform. This programme included assistance with installation, hook-up and commissioning of the drilling modules, training of all drilling personnel, establishment and maintenance of shore bases in Aberdeen and Dundee and maintenance of BP's drilling equipment. During the development drilling the Group was required to drill, run casing, cement, core and carry out other activities necessary to complete 13 wells which were drilled to a vertical depth of approximately 7,200 feet. In 1980 the Group carried out further work in the Forties Field on a labour contract.

Periodically between 1976 and 1979 the Group carried out a workover programme on the BP West Sole platform. This contract included mobilising a workover rig from BP's shore base in Great Yarmouth, offshore rigging up and commissioning, performing workover duties on a 24 hour, day by day basis and rigging down, de-mobilising and stacking.

The Group has also carried out workover operations on the Amoco Inde 'A' and Conoco Viking 'AD' platforms and is currently engaged on a similar programme on other platforms in the southern area of the North Sea.

DRILLSHIP

The drillship "Polly Bristol", designated Hull Co.950, was designed by RSV Gusto in The Netherlands and is the fifth of a series of vessels which were constructed between 1972 and 1976. In 1976, with the drillship partially complete, construction was suspended when the original prospective owner did not proceed. During lay-up the vessel was maintained in accordance with the procedures of the Norwegian classification institution, Det Norske Veritas, so that in May, 1980, when purchased by the Group it was in excellent condition.

A significant proportion of offshore acreage currently being explored has a water depth in excess of 1,000 feet and at such depths a drillship is presently the most commercially viable method of drilling an exploration well. The Directors believe that there are considerable opportunities for such a vessel in a number of worldwide locations. The vessel is able to move under its own power between such locations independently of tugs and anchor handling vessels thus maximising operational utilisation. In addition the vessel's storage capacity enables it to operate in remote areas with minimal replenishment requirements.

The original specifications included a computer controlled dynamic positioning system enabling the vessel to drill in deep water up to a depth of 4,500 feet. However, since the original specifications were conceived, the drilling requirements for exploration wells have become *more demanding and consequently* the Group has made certain modifications to the vessel and its drilling equipment. The maximum operational water depth can now readily be increased to 6,000 feet. The maximum drilling depth is 25,000 feet. A static anchoring system has been installed which will increase the vessel's versatility by enabling drilling operations to be carried out in waters too shallow for the dynamic positioning system. The vessel is also being equipped with a technically advanced blowout prevention system. The drillship is presently being completed in a shipyard in The Netherlands and is expected to be operational from August, 1981.

The normal manning complement will be approximately 70.

The market for drillship services is rapidly developing as exploration moves to deeper water. The Group's drillship offers a combination of features much in demand with oil companies and is well equipped to meet the present and future known requirements of offshore exploration.

In August, 1981, on completion of sea trials, the drillship will commence a two year contract with Compania Arrendataria del Monopolio de Petroleos S.A. ("CAMPSA") for drilling off the shores of Spain for the purposes of prospecting for oil and gas. The two year period may be extended, at CAMPSA's option, for a further period of one year subject to the increase in day rates for the third year being agreed. The contract is a dayrate contract with personnel furnished by the Group and operations performed on a 24 hour, day by day basis. The dayrate basis is subject to a month by month adjustment based on a formula to take account of any general increase in costs.

RISK FACTORS

The Group's international operations are subject to various uncertainties which include, currency fluctuations, foreign exchange restrictions, taxation policies, renegotiation or termination of existing contracts, expropriation of assets and risks of war.

The Group's drilling operations are subject to many hazards inherent in the drilling industry, such as blow-outs and well fires which can seriously damage the drilling equipment and may result in environmental pollution. The Group's offshore drilling activities are also subject to hazards inherent in marine operations such as collision and damage from bad weather conditions.

The Board of the Company believes that there is adequate insurance cover to provide for the hazards inherent in the drilling industry and to protect the Group's assets. Information on the Group's principal insurance policies is contained in Appendix 7.

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VALUATION OF DRILLING RIGS AND RELATED ASSETS

In connection with the Offer for Sale, the Group has obtained independent valuations of its twelve rigs and related assets and of the drillship. These valuations are set out in Appendix 1.

The drillship has been valued by Eggar, Forrester Offshore Limited, shipbrokers, at US $109 million (equivalent to £52·7 million) on the basis of a worldwide market value as between a willing buyer and willing seller. This valuation compares with an estimated completed cost of US $65·5 million (equivalent to £31·6 million).

The Group's three drilling rigs located in North America have been valued by Industrial Inventory Co. Ltd. on a fair market value basis at Canadian $14·2 million (equivalent to £5·7 million) which compares with their net book value of Canadian $13·4 million (equivalent to £5·4 million).

The Group's other nine drilling rigs and related camps and yard equipment located outside North America have been valued by Matthews-Daniel Company, on a fair market value basis, at US $37·3 million (equivalent to £18·0 million) which compares with their net book value of US $10·1 million (equivalent to £4·9 million).

A pro forma statement of the Group's net assets as at 31st December 1980 taking into account these valuations, but not providing for any contingent taxation, is set out in Appendix 4.

Some of the rigs are subject to options or encumbrances which are described in Appendix 2.

DIRECTORS AND SENIOR MANAGERS

Directors

Paul Bristol, aged 43, is the Chairman of the Company. Since 1972 he has been Chairman and Chief Executive of KCA which has grown to become a major United Kingdom oil services company.

Alexander Barnard, aged 47, is the Managing Director of the Company. Since 1980 he has been the Group Managing Director of KCA. Prior to that he had worked for Texaco as a drilling engineer, for Cameron Ironworks Inc. responsible for their Eastern hemisphere oilfield equipment, manufacture, sales and servicing, for Global Marine Drilling responsible for drilling contract negotiations and continuity of operations and for P&O where, from 1976 to 1979 he was Managing Director of P&O Petroleum Limited and Director of North Sea Development for P&O Energy Limited.

Michael McDowell, aged 35, is the Operations Director of the Group, for which he has worked since March, 1980. From 1968 to 1973 he worked for British Petroleum Company where he was involved in contracts and logistic operations in refineries and offshore exploration and development, and from 1973 to 1980 he worked for P&O Energy Limited, where from 1976 he was the General Manager of the P&O oilfield services group.

Sir Kennedy Trevaskis, aged 66, is a non-executive Director of the Company. He entered the Colonial Service in 1938 and, after a career spent mainly in the Middle East, retired as Governor of Aden and High Commissioner for the Protectorate of South Arabia in 1965. Since then he has been a Director of Sunningdale Oils Limited and, following its take-over by the Kerr McGee Corporation of Oklahoma City in 1976, he has also served the latter as its Middle Eastern Adviser and as a Director of its UK subsidiary.

Senior Managers

Frank McDonal, aged 46, is the Group's Director of North American Operations. He has worked for KCAD since 1966, having been the Manager of the Turkish operations from 1967 to 1975, the Manager of the North Sea operations from 1975 to 1976, the Manager of overseas locations from 1976 to 1978 and Operations Director from 1978 to 1981, when he took up his current appointment. Prior to joining KCAD he was employed by Sedco and by Penrod Drilling Company.

Keith Bowie, aged 41, is the Group's General Manager responsible for the drillship. Prior to joining the Group he worked from 1975 to 1980 as Area Manager of Kingsnorth Marine Drilling Limited and Houlder Marine Drilling Limited where he was responsible for the operation of two semi-submersible rigs and one land rig. He worked as the Administration Director of an Australian offshore drilling company from 1973 to 1975 where he was responsible for the operation of a drillship and for the Christian Salvesen group from 1970 to 1973 where he was responsible for the development of their off-shore service activities.

James Mill, C.A., aged 39, is the Financial Controller of the Group, for which he has worked since 1975.

Keith Bolshaw, A.C.A., aged 29, is the Contracts Manager of the Group, for which he has worked since 1977.

Peter Nichols, C.Eng., M.I.Mech.E., aged 44, joined the Group as General Manager of KCA Engineering Limited in 1980.

MANAGEMENT AND STAFF

The Group currently has 585 employees of whom 43 work in the administrative offices of the Group in London and Aberdeen while the remainder are employed on the sites of the Group's various drilling operations.

The Group's operations come under the overall control and supervision of the Company's Managing Director and Board of Directors. However day-to-day operations are controlled by the Group's Director of Operations. In the United Kingdom administrative offices there are six distinct fields of management responsibility—finance and accounts, personnel and welfare, contracts and business development, engineering, operations, and materials control and procurement—the head of each of which is responsible to the Director of Operations.

Each area of drilling operation has an area manager who is responsible for all aspects of the Company's operations within that area, and reports to the Director of Operations. Each area manager normally has his own administrative staff consisting of a qualified accountant, a materials controller, an operations superintendent and a personnel manager. In addition, the person responsible for each individual rig in an area will report to the area manager. The Group has area managers for the United Kingdom and North Sea, Libya, Turkey and Pakistan. The North American operations come under the direct control of the Director of North American Operations who in turn reports to the Director of Operations.

Although the present expansion of the drilling industry is inevitably causing a shortage of experienced personnel, particularly at senior levels, the Group is confident that its remuneration and training policies will enable it to recruit or promote personnel to meet its future needs.

The Group does not have its own pension scheme. Thirty-five employees, who are members of the administrative staff, participate in KCA's pension scheme.

RELATIONSHIP BETWEEN THE COMPANY AND KCA INTERNATIONAL LIMITED

As has been stated in the Introduction to this document, KCA is a holding company and as such it will continue to exercise considerable control over the Company which, following the Offer for Sale, will be a 75% owned subsidiary. Even though the Company will have its own listing it will not be independent of KCA. KCA, as the majority shareholder of the Company, intends, through the Board of the Company, to play a significant part in shaping its commercial and financial policy. In particular KCA will supply to the Company not only the executive services of its Chairman and Managing Director but also advice concerning such matters as cash management, foreign exchange, financing policy and acquisitions together with company secretarial services. KCA and the Company have entered into an agreement whereby KCA has agreed to provide the Group with these services in return for a management fee which will be £800,000 in 1981 and subject to increase in future years in line with inflation.

The Group is that part of the KCA group which carries on all the KCA group's onshore and offshore exploration and development contract drilling activities. KCA intends that no major drilling or workover activities will be carried on other than by the Group. However, there may be circumstances in which an investment in a particular drilling-related activity may not be in the best short-term commercial interests of the Group. In such circumstances KCA may itself decide to invest in drilling and workover activities although it is anticipated that any such investment would be as a temporary expedient only and it would be KCA's intention to rationalise any major drilling activities acquired within the Group.

In certain instances, for financial or strategic reasons, other members of the KCA group may become owners of drilling rigs. However, these KCA group companies will, except in the circumstances described above, contract these rigs to a company within the Group. Only by so doing does KCA believe that a uniform quality of service can be ensured for drilling activities carried out under the KCA name.

The KCA Board has approved a statement of policy designed to protect the interests of shareholders in the Company other than KCA itself ("the public shareholders"). The Board has stated its intention, inter alia, to provide management services to the Group under the management agreement, not to take action which would be to the detriment of the Company, to maintain reasonable dividend payments consistent with the building-up of reserves, to limit Directors' remuneration to levels prevailing within the KCA group, to prohibit material changes in the Memorandum or Articles of Association and the making of material issues of shares of the Company (save in certain circumstances) without the sanction of the public shareholders and to provide to the public shareholders all reasonable information where conflict could arise between the respective interests of KCA and the public shareholders including independent financial advice in appropriate circumstances.

PAST RESULTS

The past results for the Group are set out in the Accountants' Report in Appendix 3. They show a gradual increase in the Group's profits since 1976, when a £7 million loss resulted from the termination of the Algerian contract. The financial consequences of the Algerian contract severely impaired the Group's ability, during the ensuing three years, to take advantage of many of the commercial opportunities that presented themselves. Although the Group continued to generate satisfactory profits from its drilling operations in the North Sea, Libya and Turkey, it was not until the beginning of 1980 that it was again in a position to expand. In that year, it commenced a management contract in Pakistan and acquired three land drilling rigs which entered into drilling contracts in North America.

PROFIT FORECAST

The Group's profits in 1981 will derive principally from drilling, workover, labour and management contracts. In the case of contracts other than for the drillship profitability can be forecast accurately in the light of past experience. The principal factors relating to those contracts that could affect the Group's profits are the early termination of the contracts or significant adverse currency movements.

The Group is expecting to commence, on 1st August, 1981, a contract for the drillship with CAMPSA which will contribute substantial profits in the last five months of the year. The revenues of this contract are known and, in the opinion of the Directors, the operating costs have been accurately forecast when compared with the known operating costs of other offshore drilling vessels. However there is a risk with such a new ship still being fitted out and starting its first contract, that there might be either a delay in starting the contract or technical difficulties which would lead to a material loss in revenue. Although this risk exists, the Directors remain confident that the drillship will carry out its work under contract as planned.

Based on the material assumption that the drillship will perform its contract as planned and on the other principal assumptions set out in Appendix 5, the Directors forecast that the profits of the Group for the year ending 31st December, 1981 will be not less than the following:—

	Seven month period from 1st January, 1981 to 31st July, 1981	Five month period from 1st August, 1981 to 31st December, 1981	Year to 31st December, 1981
Profit before taxation	£1·9 million	£3·3 million	£5·2 million

A large part of the Group's earnings are derived from operations abroad and are therefore subject to local tax regulations, about which there is an element of uncertainty. In the past, the Group's liabilities to overseas tax have been taken in providing for overseas taxation, with the result that there now exist very large provisions for taxation which have not yet been claimed by the local fiscal authorities. The Directors are now of the opinion, based on past experience, that a more realistic view of the incidence of foreign taxation should be taken and, with the concurrence of the Company's auditors, the tax charged in the forecasts set out below has been calculated on this new basis which will also be used for the year end audited accounts.

On this basis, the forecast profits for the year to 31st December, 1981 of	£5·2 million
will be reduced by tax of	£1·7 million
leaving a profit after taxation of	£3·5 million
representing earnings per share (based on the weighted average number of shares in issue during the year) of	5·0p
giving a price/earnings multiple at the Offer for Sale price of	19·0

As can be seen from the above forecast, the profits for the last five months of 1981 are notably greater than for the first seven months. This is because the drillship is forecast to be in operation and the proceeds of the Offer for Sale will have been used to reduce borrowings. If allowance had been made for the first full year's operation of the drillship and the proceeds of the Offer for Sale had been applied by the Group to reduce borrowing for a full year the Directors forecast, on the basis of the material assumption regarding the drillship referred to above and the assumptions set out in Appendix 5, that the Group's notional profit before taxation would have been £8·2 million, and its profit after taxation £6·5 million, giving earnings attributable to shareholders of 8·1p per share and a price earnings multiple at the Offer for Sale price of 11·7.

DIVIDENDS

Subject to the achievement of the profit forecast contained above, the Directors intend to recommend a final net dividend of 1·875p per share in respect of the period from 1st July, 1981 to 31st December, 1981 for payment in June, 1982.

The Company has already declared and paid an interim dividend out of the estimated profit for the three month period to 31st March, 1981 to KCA of £252,000. If the Company had had a listing for the whole of 1981 it would have paid a total net dividend of 3·75p per share which, with the associated tax credit, would have represented a gross dividend yield of 5·6%, at the Offer for Sale price.

In the future it is the Company's intention to pay dividends at reasonable levels while at the same time building up reserves and retaining cash inside the business in order to facilitate its future growth. It is intended that final and interim dividends will be paid in June and October of each year respectively.

USE OF PROCEEDS

The net proceeds of the subscription for the shares now offered for sale will amount to approximately £18 million. The proceeds will be used to finance the completion and equipping of the drillship both by repaying existing debt incurred for that purpose and by paying for some of the outstanding costs. The Directors of the Company believe that, as a result of the application of the proceeds of the issue, with a relatively ungeared and cash generating asset base the Group will be in an excellent position from which to expand by means of programmed asset acquisition. This programme will be funded by the strong cash flow which is expected to be generated by the existing operations and by further borrowing.

Following the Offer for Sale and final payment for the drillship, the Group will have outstanding bank loans of approximately £9·1 million and a medium term loan of £8·3 million at commercial rates of interest from KCA.

FUTURE PLANS AND PROSPECTS

The Group has a strong operating base derived from a spread of different types of drilling rigs carrying out varied drilling programmes, principally for oil companies, on a worldwide basis. In addition the Group will have, following the Offer for Sale, a strong financial base from which to take advantage of the current high level of activity in the drilling industry and the high contract rates now available. It is the Group's policy to concentrate capital expenditure on areas where it is already well established or where it sees a strong and growing market.

The Group has recently submitted tenders for two major five year North Sea drilling contracts, and the Board believes that there is a reasonable prospect of the Group being awarded a contract. It is in negotiation for a land drilling contract in Brazil involving two rigs on a five year contract on a joint venture basis, which it expects to be satisfactorily concluded in the near future.

The Group is at an advanced stage of negotiation for the construction of one and possibly two deep water semi-submersible rigs at a United Kingdom shipyard, and with a major oil company to take the rigs on medium term charter on completion.

In addition to contracts involving its own assets the Group is also planning to increase its business in areas where it provides the basic management service with the equipment being owned by the operator, thus enabling the Group to earn profits without having to make a significant capital investment.

The Directors believe that there are a considerable number of attractive opportunities open to the Group both for drilling with its own rigs and for obtaining management contracts in many different parts of the world which should enable it to achieve substantial growth in the future.

APPENDIX 1
RIG VALUATION REPORTS

1. Valuation of the Drillship

Eggar, Forrester Offshore Limited,
Rodwell House, Middlesex Street,
London E1 7HJ
19th May, 1981

The Directors,
KCA Drilling Group P.L.C.,
9th Floor,
Berkeley Square House,
Berkeley Square,
London W1X 6BY.

Dear Sirs,

Valuation Certificate

This valuation is carried out on the basis of a world wide market value as at this 19th May, 1981, as between a willing buyer and a willing seller.

Valued Unit

Hull No. Co. 950	— DP/conventionally moored drillship
Length overall	— 148·7 metres
Breadth	— 25 metres
Depth to main deck	— 12·5 metres
Deadweight	— 8,100 tons
Delivery	— July, 1981
Class	— Det Norske Veritas
Type	— IHC Gusto

Approximately US Dollars 109,000,000 (one hundred and nine million United States Dollars), at delivery.

We have sighted the vessel at the shipyard and to the best of our knowledge it has been constructed and it will be completed under the continuous inspection of Det Norske Veritas, and therefore we assume it to be in good unused condition.

Notwithstanding any of the above the replacement cost of the valued drillship would approximately be US Dollars 120,000,000 (one hundred and twenty million United States Dollars).

In view of the complexity of the equipment, coupled with the scarcity of similar vessels and insufficient number of sales of this kind of equipment in the past years, the aforementioned value may be increased or decreased by about 5%.

Our opinion of the value is given in good faith and on the understanding of the information supplied to us. We believe the figure to be reasonably accurate but we wish to emphasise that in any case it only represents a statement of opinion.

Yours faithfully,
EGGAR, FORRESTER OFFSHORE LTD.,
J. E. ABECASIS
Director.

2. Valuation of North American Rigs

Industrial Inventory Co. Ltd.,
1432 Northmount Drive N.W.,
Calgary, Alberta T2L 0G2
20th May, 1981

KCA Drilling Group P.L.C.,
9th Floor,
Berkeley Square House,
Berkeley Square,
London W1X 6BY.

Attention: The Directors

Dear Sirs,

In compliance with your instructions, we have re-evaluated your three drilling rigs during the early part of May, 1981.

These rigs were inspected by representatives of Industrial Inventory Co. Ltd. and found to be in a good state of repair, having received normal routine maintenance, rendering them capable of providing the service for which they were designed.

Contingent and Limiting Conditions

No responsibility is assumed for matters legal in nature and good title is not questioned. The Appraiser has no present or contemplated interest, either directly or indirectly, in any of the equipment listed, beyond this Appraisal for a fee.

Certification of Value

In our opinion, the fair market value of the three drilling rigs is as listed:—

	Canadian $
Rig No. C1	4,032,970
Rig No. C2	4,867,765
Rig No. C3	5,314,520
	$14,215,255

Respectfully Submitted By:
INDUSTRIAL INVENTORY CO. LTD.
L. BRAY
M.S.I.A.

3. Valuation of Other Rigs and Related Camps and Equipment

Matthews-Daniel Company,
7135 Office City Drive,
Suite 115, P.O. Box 26836,
Houston, Texas 77207
20th May, 1981

The Directors,
KCA Drilling Group P.L.C.,
9th Floor,
Berkeley Square House,
Berkeley Square,
London W1X 6BY

KCA Drilling Group P.L.C. Fair Market Value Survey Rig Nos. 71, 83, 94, 100, 101, 102, 103, 51 & 52; Portable Camps and Yard Equipment,

Gentlemen,

In response to your request, we have completed the appraisal of the rigs, yards and camps in caption during May, 1981. This appraisal was conducted to determine the estimated Fair Market Value of the rigs and has been prepared in accordance with standard appraisal techniques.

The housekeeping and apparent mechanical condition of the rigs was found to be generally excellent and the rigs were fully equipped for their intended service.

The condition of the equipment components, age of equipment, design, state of obsolescence, operational capability, state of rig utilisation, equipment market and other external factors greatly affect the valuation of drilling equipment. The estimated Fair Market Value is further influenced by the availability of similar equipment and other market factors. These factors have been taken into consideration in preparing this appraisal.

We determined an estimated Fair Market Value of the captioned rigs, yards and camps of $37,351,584, made up as follows:—

Rig No.	Description	Estimated Fair Market Value (US $)
71	National 80-B	5,228,199
	Yard Equipment for Rig No. 71	405,068
	Portable Camp with Rig No. 71	377,700
83	Unit U 36EA	7,079,040
	Portable Camp with Rig No. 83	828,413
94	Cabot 550	1,604,254
100	Cardwell TM 250	1,366,246
	Yard Equipment with Rig No. 100	975,490
101	Cabot/Franks 1058	1,356,187
102	Cabot/Franks 1058	1,268,179
103	Cabot/Franks 1058	1,235,589
	Portable Camp with Rigs 100, 101, 102 and 103	1,276,406
51	National 1320 UE	7,140,992
52	National 1320 UE	7,209,821
	TOTAL—Estimated Fair Market Value	US $37,351,584

Yours very truly,
MATTHEWS-DANIEL COMPANY
MIKE CLARKSON

APPENDIX 2
DRILLING RIGS OWNED AND OPERATED BY THE GROUP

Rig Number	Rig Type	Depth Rating	Mast	Power/Available Horse Power	Mud Pumps
Onshore					
71	National 80-B	Drilling 12,000 ft.	Lee C Moore 142 ft. 935,000 lbs.	4 Superior Super PTD6	2 National G700 1 Oilwell PT A1400 powered by Superior PTD8
83	Midco U36EA	Drilling 10,000 ft.	Pyramid 131 ft. 525,000 lbs.	4 Caterpillar D398 4 GE752 DC Generators 4 GE752 AC Generators	2 Gardner Denver PZ9
94	Cabot 550	Workover 13,000 ft.	Cabot 102 ft. telescoping 281,000 lbs.	Caterpillar D343	HT400
100	Cardwell	Drilling 6,000 ft. Workover 12,000 ft.	Cardwell 103 ft. telescoping 215,000 lbs.	Caterpillar D343	1 National C150 & 2 Caterpillar D343 Motors
101, 102 and 103	Cabot/Franks 1058 Workover, Explorer III Sahara Rocket	Workover 12,000 ft.	Cabot 96 ft. telescoping 215,000 lbs.	Caterpillar D343	Gardner Denver PJ8 & Caterpillar D343 (per rig)
C1	National 55	Drilling 9,000 ft.	Lee C Moore 131 ft. 550,000 lbs.	Caterpillar D379	Gardner Denver PZ9 1000 hp. Gardner Denver FX 700 hp.
C2	National 80-B	Drilling 12,000 ft.	Ideco 143 ft. 1,250,000 lbs.	Caterpillar D398	2 Gardner Denver PZ9
C3	National 80-B	Drilling 12,000 ft.	Ideco 132 ft. 940,000 lbs	Caterpillar D386	2 Continental Emsco D500
Offshore					
51 and 52	National 1320-UE	Drilling 20,000 ft.	Pyramid 147 ft. 1,250,000 lbs.	SCR System	2 National 12P 160 per rig

Drillship

Principal Characteristics

Length—148.7 m.	Accommodation—96 persons
Breadth—25 m.	Operational Capacity—Water Depth 4,500 ft. (Potential 6,000 ft.)
Deadweight—8,100 tons	Drilling Depth—25,000 ft.
Speed—13 knots	Dynamic Positioning—C.I.T. Alcatel
Propulsion—Twin screw 7,000 h.p.	Mooring—8 point Wire Mooring —30,000 lb. Anchors

Cranes—1 x 40 tonnes S.W.L.
—1 x 60 tonnes S.W.L.

Drilling Equipment
Drawworks—National 1625 DE
Derrick—Pyramid 160 ft.; 1,330,000 lbs.
Mud Pumps—2 National 12 P-160 Triplex
—1 National 8 P-80 Triplex
B.O.P.—NL 18¾ in. 10,000 lbs.
Riser—Vetco 21 inch O.D. with MRH connectors

Encumbrances and Options affecting Rigs

1. Rig 83 is subject to a charge dated 21st November, 1978 in favour of Libyan Arab Foreign Bank to secure a debt of US $1,000,000 owed to that bank. US $500,000 has already been appropriated to part repayment of the debt, which will accordingly be reduced to US $500,000 with effect from 9th June, 1981.

2. Under the terms of the Operating Agreement dated 7th February, 1975 between Mobil North Sea Limited ("Mobil") and KCAD, KCAD has granted Mobil an option to purchase either of Rigs 51 and 52 for US $2,927,000 on the termination of the Agreement.

3. All of the rigs referred to above (except Rigs C1, C2 and C3) and the drillship are charged to RBC to secure the loan facilities made available under the agreements referred to under paragraph 7(e) of Appendix 8. Under the loan agreement referred to in paragraph 7(e) of that Appendix RBC has agreed to release these charges for the consideration referred to, and these assets will be recharged as security for the new facilities which RBC have agreed to make available.

4. Under the terms of an Oilwell Workover Services Agreement dated 14th July, 1977 between Oasis and KCAD, Oasis has an option to purchase all or any of the Rigs 101, 102 and 103 on the expiration of the contract term at 70% of the appraised market value determined by an agreed appraiser.

APPENDIX 3
ACCOUNTANTS' REPORT

1, Serjeants' Inn,
London
EC4Y 1JD
19th June, 1981

The Directors,
KCA Drilling Group P.L.C.,
9th Floor,
Berkeley Square House,
Berkeley Square,
London W1X 6BY

Charterhouse Japhet Limited,
1 Paternoster Row,
St. Paul's,
London EC4M 7DH

Gentlemen,

1. INTRODUCTION

We have examined the audited accounts of KCA Drilling Group P.L.C. ("the Company") for the five years ended 31st December, 1980 and of the subsidiaries for the period relevant to this report. We have acted as auditors of the Company throughout the period. KCA Drilling Limited and KCA Drilling (Nigeria) Limited have been wholly owned subsidiaries throughout the relevant period. KCA Engineering Limited has been a 75% owned subsidiary since its incorporation on 28th December, 1977. KCA Equipment Leasing Limited and KCA Drilling (Canada) Ltd. have been wholly owned subsidiary companies since their incorporation on 15th November, 1978 and 8th January, 1980 respectively. In May, 1981 the entire issued share capital of KCA Offshore Drilling Limited ("KCAOD") was acquired by the Company from KCA International Limited. At the same date, Glasgow Drilling & Supply Limited, KCA Drilling Bahamas Limited and Middle East Service and Supply Co. S.A., formerly wholly owned subsidiaries of the Company, were sold, for an amount equal to the original cost of these investments, to KCA International Limited.

The information set out below is based on an aggregation of the summarised audited accounts of the Company and those subsidiaries held after the reorganisation in May, 1981 ("the Group") as if the Group had existed in its present form since 1st January, 1976. We have made such adjustments to the audited accounts as we consider appropriate.

In our opinion, the summaries and notes in paragraphs 2 to 7, which have been prepared under the historical cost convention give a true and fair view of the results and source and application of funds of the Group for the five years ended 31st December, 1980 and of the state of affairs of the Company at 31st December, 1980 and of the Group at 31st December in each of the years 1976 to 1980.

We have also examined abridged supplementary current cost accounts of the Group for the year ended 31st December, 1980 which have been prepared in accordance with Statement of Standard Accounting Practice 16 ("SSAP 16"). We set out in paragraphs 8 and 9, under the general heading "Group current cost accounts", the summarised statements of profit and loss and net assets prepared under the current cost convention after making the adjustments to the historical cost accounts noted above. In our opinion these statements have been properly prepared in accordance with the policies and methods set out in the notes and give the information required by SSAP 16.

2. ACCOUNTING POLICIES

(i) Translation of Foreign Currencies

Current assets and liabilities in foreign currencies are expressed in sterling at the rate of exchange in effect at the year end. The sterling cost of equipment financed from foreign currency borrowings reflects the exchange movements resulting from the year end translation of those borrowings.

The accounts of foreign subsidiaries are translated using the "closing rate" method. The differences arising on translation of the Group's net equity investment in foreign subsidiaries resulting from the movement in exchange rates during the year are passed to a foreign currency translation reserve.

(ii) Depreciation

The fixed assets are depreciated so as to write off their cost, less estimated residual value, over their expected useful lives, as follows:—

	Years
Transport	2–5
Drillship	3
Base installations	6–7
Rigs (Land)	7–14
Rigs (North Sea)	10

(iii) Assets under construction

The cost of assets under construction represents direct costs incurred, together with an appropriate portion of related overheads. Such assets are depreciated from the date on which they become operational.

(iv) Project Development, Market Research and Deferred Revenue Expenditure

Project development and market research represents the costs incurred in researching and appraising new areas of activity for the Group, the outcome of which is not certain at the year end. When such costs result in contracts which it is considered will be profitable, they are transferred to deferred revenue expenditure and amortised over the terms of the contracts which arise. Project development and market research expenditure which does not result in profitable contracts, is written off to profit and loss account.

(v) Spares

Drilling spares include substantial quantities of parts held unused for long periods against possible breakdown in remote areas overseas. Such spares are subject to deterioration and obsolescence. These spares, which are not held for resale, are stated at cost less a provision considered to be adequate in respect of those stocks attaching to the older rigs and equipment.

(vi) Deferred Taxation

Provision for deferred taxation is made only where a liability is likely to arise in the foreseeable future.

(vii) Overseas Taxation

The Group has experienced delays with agreement and payment of certain foreign taxes. To recognise this experience the proportion of these liabilities which is not likely to be payable within twelve months of the year end is shown as a non-current liability.

3. GROUP PROFIT AND LOSS ACCOUNTS

	Note	1976 £'000	1977 £'000	1978 £'000	1979 £'000	1980 £'000
		Years ended 31st December,				
Sales	(i)	16,483	24,013	14,045	14,367	16,849
Cost of sales	(ii)	17,012	18,491	10,460	10,409	12,033
Trading profit/(loss) before interest		(529)	5,522	3,585	3,958	4,816
Interest payable		(1,144)	(1,868)	(458)	(604)	(669)
Management charge paid to KCA International Limited		—	(998)	(600)	(600)	(675)
		(1,673)	2,656	2,527	2,754	3,472
Exceptional item	(iii)	(5,382)	—	—	—	—
Profit/(loss) before taxation	(iv)	(7,055)	2,656	2,527	2,754	3,472
Taxation—credit/(charge)	(v)	1,170	(1,166)	(793)	(1,072)	(1,437)
Profit/(loss) after taxation		(5,885)	1,490	1,734	1,682	2,035
Dividends		—	—	—	(1,700)	(1,420)
Retained profits/(losses)		(5,885)	1,490	1,734	(18)	615

4. NOTES TO THE PROFIT AND LOSS ACCOUNTS

(i) Sales

Sales comprise contractual services invoiced to third parties.

	1976 £'000	1977 £'000	1978 £'000	1979 £'000	1980 £'000
	Years ended 31st December,				
United Kingdom and North Sea	5,851	6,192	4,605	4,880	5,043
Algeria	4,887	8,030	—	—	—
Libya	2,284	5,116	4,030	5,917	5,213
Turkey	3,461	4,675	5,410	3,516	3,366
Pakistan	—	—	—	54	936
Bangladesh	—	—	—	—	256
Canada and USA	—	—	—	—	2,035
	16,483	24,013	14,045	14,367	16,849

(ii) Cost of Sales

The cost of sales is stated after charging:

	1976 £'000	1977 £'000	1978 £'000	1979 £'000	1980 £'000
	Years ended 31st December,				
Hire of equipment	132	180	202	75	44
Depreciation	2,407	2,689	1,145	1,177	1,562
Auditors' remuneration	48	48	38	83	73

(iii) Exceptional Item

	Year ended 31st December, 1976 £'000
In respect of Algerian contract:	
Anticipated losses	(3,566)
Deferred revenue expenditure written off	(1,816)
	(5,382)

Because of contractual difficulties, the Company and Sonatrach (the Algerian state oil company) agreed to terminate the contract in Algeria, and provision was made in the 1976 accounts for the anticipated losses. The deferred revenue expenditure relating to the contract was written off in full.

(iv) Profit/(loss) before taxation

	1976 £'000	1977 £'000	1978 £'000	1979 £'000	1980 £'000
	Years ended 31st December,				
United Kingdom and North Sea	1,558	2,112	1,239	1,662	1,529
Algeria	(7,426)	—	—	—	—
Libya	370	975	600	778	887
Turkey	107	1,442	2,006	1,276	1,579
Pakistan	—	—	—	5	178
Bangladesh	—	—	—	—	93
Canada and USA	—	—	(133)	—	130
Overheads	(1,664)	(1,873)	(1,185)	(967)	(924)
	(7,055)	2,656	2,527	2,754	3,472

(v) Taxation

Taxation is based on the results of the Group for each year and consists of:

	1976 £'000	1977 £'000	1978 £'000	1979 £'000	1980 £'000
	Years ended 31st December,				
Overseas taxation	(480)	(1,166)	(776)	(1,068)	(1,409)
Transfer from/(to) deferred taxation	1,650	—	—	—	(23)
Group relief payments	—	—	(17)	(4)	(5)
	1,170	(1,166)	(793)	(1,072)	(1,437)

In making provision for overseas taxation, account has been taken of the laws and regulations of the countries in question. There is uncertainty regarding the correct interpretation of these laws and regulations. However, it is believed that the provisions are adequate and in certain cases, may be excessive.

Due to the UK corporation tax losses incurred in 1976, the provision for deferred taxation which existed at the end of the previous year was released. As a result of these losses and the incidence of foreign taxation, no provision for UK corporation tax has been necessary in any of the years 1976 to 1980. At 31st December, 1980 the Group had utilised all tax losses brought forward.

The group relief payments represent 52% of the losses surrendered from subsidiary companies of KCA International Limited.

At 31st December, 1980 the Group had a potential liability for taxation deferred by timing differences of £1,296,000 (1979 £928,000).

5. BALANCE SHEETS

Company 1980 £'000	31st December,	Note	1976 £'000	1977 £'000	Group 1978 £'000	1979 £'000	1980 £'000
	Assets employed:						
—	Fixed assets	(i)	18,829	15,008	4,590	5,901	10,811
	Less amounts outstanding under conditional sale agreements		(15,719)	(11,665)	—	—	—
1,746	Investment in subsidiary companies	(ii)	—	—	—	—	—
—	Assets under construction		—	—	2,241	—	13,577
—	Assets subject to sale agreement		—	—	1,890	—	—
—	Project development and market research		—	—	57	21	378
—	Deferred revenue expenditure		250	—	—	—	216
	Net current assets/(liabilities)						
(1)	—see below		44	(417)	(1,426)	(478)	425
1,745			3,404	2,926	7,352	5,444	25,407
	Financed by:						
600	Share capital		600	600	600	600	600
2,064	Share premium		2,064	2,064	2,064	2,064	2,064
4	Revenue surplus/(deficit)	(iii)	(4,719)	(3,229)	(1,495)	(1,513)	(898)
—	Foreign currency translation reserve		—	—	—	—	(83)
2,668			(2,055)	(565)	1,169	1,151	1,683
—	Provision for future losses		3,566	453	—	—	—
—	Deferred taxation		—	—	—	—	23
—	Overseas taxation		400	950	989	1,466	1,777
—	Loans	(iv)	97	52	3,412	1,469	3,535
	Due to/(from) KCA International Limited and Subsidiary						
(923)	Companies		1,396	2,036	1,782	1,358	18,389
1,745			3,404	2,926	7,352	5,444	25,407
	Current assets						
—	Spares		1,736	2,095	1,398	1,348	1,423
—	Debtors		6,447	4,090	2,535	2,627	3,543
—	Bank balances		411	1,085	37	660	853
—			8,594	7,270	3,970	4,635	5,819
	Current liabilities						
1	Creditors		5,780	4,815	2,126	2,136	3,014
—	Bank overdrafts	(iv)	—	—	701	1,012	125
—	Short term loans	(iv)	2,221	2,034	1,673	1,091	1,182
—	Taxation		549	848	896	874	1,073
1			8,550	7,687	5,396	5,113	5,394
(1)	Net current assets/(liabilities)		44	(417)	(1,426)	(478)	425

6. NOTES TO BALANCE SHEETS

(i) Fixed assets

	Cost £'000	Depreciation £'000	Net book value £'000
Drilling rigs and equipment	17,466	7,119	10,347
Transport	476	212	264
Plant	297	97	200
	18,239	7,428	10,811

At 31st December, 1980 the fixed assets were situated in the following territories:—

	£'000
United Kingdom and North Sea	3,175
Libya	1,934
Turkey	281
Canada and USA	5,421
	10,811

Fixed assets and assets under construction include interest capitalised during 1980 of £467,000.

(ii) Subsidiary companies

	£'000
Shares at Cost	1,746

This includes £1,736,000 in respect of the cost of subsidiary companies sold to KCA International Limited in May, 1981.

(iii) Revenue deficit

The deficit of £898,000 on the Group revenue account at 31st December, 1980 represents the net residue of losses in KCA Drilling Limited in 1976—see note 4 (iii).

(iv) Loans

The loans and overdrafts subsisting at 31st December, 1980 were repayable as follows:—

	£'000
In one year or less, or on demand—secured	1,307
Between one and two years—secured	482
Between two and five years—secured	2,053
	3,842

In addition, the Group has a loan of £1·0 million which is due to be repaid at a date which cannot be determined but which is unlikely to be within one year.

(v) Contingent liabilities

At 31st December, 1980 the Group had contingent liabilities in respect of guarantees given to secure the bank loans of KCA International Limited. The exposure under these guarantees at 31st December, 1980 amounted to £4,590,138.

Under a 1978 agreement for the sale of rigs and equipment, there was an amount of £375,000 owing in Algeria at 31st December, 1980 by the purchaser of the rigs. There remains a contingent liability on KCA Drilling Limited until the outstanding balance is paid.

(vi) Capital commitments

At 31st December, 1980, the Group had capital commitments of:—

	£'000
Authorised and contracted for	13,818
Authorised but not contracted for	10

7. STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

Years ended 31st December,	1976 £'000	1977 £'000	1978 £'000	1979 £'000	1980 £'000
Sources of funds:					
Profit/(loss) before taxation	(7,055)	2,656	2,527	2,754	3,472
Adjustments for items not involving the movements of funds					
Depreciation	2,407	2,689	1,145	1,177	1,562
Amortisation	315	250	—	57	51
	(4,333)	5,595	3,672	3,988	5,085
Funds from other sources:					
Proceeds on sale of fixed assets	525	313	8,542	1,974	15
Long term borrowing	—	—	3,360	—	2,066
Net source/(utilisation) of funds	(3,808)	5,908	15,574	5,962	7,166
Application of funds:					
Expenditure on fixed assets	(3,887)	(643)	(3,400)	(418)	(20,064)
Exchange adjustments on fixed assets	(3,332)	1,463	—	87	(83)
Less amounts advanced under conditional sales agreements	7,435	—	—	—	—
	216	820	(3,400)	(331)	(20,147)
Taxation paid	(75)	(318)	(706)	(617)	(904)
Repayment of amounts advanced under conditional sales agreements	(1,290)	(4,054)	(11,665)	—	—
Deferred revenue and market research expenditure	—	—	(57)	(21)	(624)
Decrease in long term borrowings	(632)	(45)	—	(1,943)	—
Dividends paid	—	—	—	(1,700)	(1,420)
	(1,781)	(3,597)	(15,828)	(4,612)	(23,095)
	(5,589)	2,311	(254)	1,350	(15,929)
Represented by increases/decreases in:					
Provisions for losses in Algeria (increase)/decrease	(3,566)	3,113	453	—	—
Spares increase/(decrease)	328	359	(697)	(50)	75
Debtors increase/(decrease)	3,272	(2,357)	(1,555)	92	916
Creditors (increase)/decrease	(2,613)	965	2,689	(10)	(878)
Inter company accounts increase/(decrease)	(37)	(640)	254	424	(17,031)
	(2,396)	1,440	1,144	456	(16,918)
Movement in net liquid funds:					
Cash and bank balances increase/(decrease)	(972)	674	(1,048)	623	193
Bank overdrafts (increase)/decrease	—	—	(701)	(311)	887
Short term loans (increase)/decrease	(2,221)	197	351	582	(91)
	(3,193)	871	(1,398)	894	989
	(5,589)	2,311	(254)	1,350	(15,929)

8. GROUP CURRENT COST ACCOUNTS

Current Cost Profit and Loss Account
Year ended 31st December, 1980

	Note	£'000
Sales		16,849
Historical cost trading profit before interest		4,141
Less: Current cost operating adjustments	(ii)	(1,057)
Current cost operating profit		3,084
Gearing adjustment		707
Interest on net borrowing		(669)
Current cost profit before taxation		3,122
Taxation		(1,437)
Current cost profit attributable to shareholders		1,685
Dividends		(1,420)
Current cost surplus carried forward		265
Statement of retained reserves		
Movements on current cost reserve	(vi)	1,044
Movements on other reserves		(83)
Current cost surplus for year carried forward		265
		1,226
Reserves at the beginning of the year		2,640
Reserves at the end of the year		3,866

Current Cost Balance Sheet
31st December, 1980

	Note	£'000
Assets Employed:		
Fixed assets	(v)	15,652
Asset under construction		13,577
Project development and market research		378
Deferred revenue expenditure		216
Net current liabilities	(iv)	(989)
		28,834
Financed by:		
Share capital and reserves		
Share capital and share premium		2,664
Current cost reserve	(vi)	5,197
Deficit on revenue account		(1,331)
		6,530
Deferred taxation		23
Overseas taxation		1,777
Loans		3,535
Due to KCA International Limited and subsidiary companies		16,969
		28,834

9. NOTES TO THE CURRENT COST ACCOUNTS

(i)

A General Description of Current Cost Accounts

The current cost accounts have been prepared in compliance with SSAP 16 using the same accounting policies as for the historical cost accounts except as set out below.

The current cost operating profit is the surplus (before interest and taxation) arising from the ordinary activities of the business in the period. It is determined after allowing for the impact of price changes on the funds needed to maintain the productive assets of the business (the net operating assets) but does not take into account the way in which these assets are financed.

This result is achieved by making adjustments to trading profit before interest calculated on the historical cost basis. These adjustments are described in sections B and C below and are set out in Note (ii).

The current cost profit attributable to shareholders is the surplus after allowing for the impact of price changes on the funds needed to maintain their proportion of the net operating assets. It is shown after interest, taxation and the gearing adjustment described in Section D below.

In the balance sheet fixed assets and stocks are included at their current cost (net of depreciation on fixed assets).

B Fixed Assets and Depreciation

The gross current cost of plant and specialised buildings has been restated using appropriate Government indices applied to the historical costs, which is compatible with the basis used in the current cost accounts of KCA International Limited.

Total depreciation charged in the current cost profit and loss account represents the average current cost of the proportion of fixed assets consumed in the period. The depreciation adjustment of £669,000 is the difference between the depreciation charge in the historic cost and current cost accounts.

C Working Capital

This includes stocks and trade debtors less trade creditors.

In order to allow for the impact of price changes on working capital, two adjustments are made to the operating costs calculated on the historical cost basis, one on stock and the other on monetary working capital. The adjustments are based on movements in price indices issued by the Government Statistical Service.

D The Gearing Adjustment

A proportion, called the gearing proportion, of the net operating assets of the business is financed by borrowing. As the obligation to repay borrowing is fixed in monetary amount, irrespective of price changes on the proportion of assets so financed, it is unnecessary to provide for the impact of price changes on these assets when determining the current cost profit attributable to shareholders. Thus. the gearing adjustment has been applied which abates the current cost operating adjustments by the average gearing proportion in the year.

(ii) Current Cost Adjustments made in deriving Operating Profit

	£'000
Cost of sales	237
Monetary working capital	137
Working capital adjustment	374
Depreciation	669
Fixed asset disposals	14
Fixed assets adjustment	683
Current cost operating adjustments	1,057

(iii) Financing of the Assets Employed

The following is the net current replacement cost ("CRC") of the assets employed at the balance sheet date together with the method by which they were financed:—

	£'000
Fixed assets	29,229
Working capital	2,459
Net operating assets	31,688
Project development and market research	378
Deferred revenue expenditure	216
Assets employed	32,282
Share capital and reserves	6,530
Proposed dividend	1,420
Total shareholders' interest	7,950
Deferred taxation	23
Overseas taxation	1,777
Loans	3,535
Due to KCA International Limited and Subsidiary Companies	16,969
Other net current liabilities	2,028
	32,282

(iv) Net Current Liabilities

These consist of the following:

	£'000
Spares	1,429
Monetary working capital	1,030
Total working capital	2,459
Proposed dividend	(1,420)
Other net current liabilities	(2,028)
	(989)

(v) Fixed Assets

	Gross CRC £'000	Depreciation £'000	Net CRC £'000
Drilling rigs and equipment	23,180	8,081	15,099
Transport	650	382	268
Plant	562	277	285
	24,392	8,740	15,652

(vi) Current Cost Reserve

	£'000	£'000
Balance at 1st January, 1980		4,153
Surpluses reflecting price changes:		
Fixed assets	1,448	
Stocks and Spares	166	
Monetary working capital adjustment	137	
Gearing adjustment	(707)	
Net movement in the year		1,044
Balance at 31st December, 1980		5,197
of which: realised		350
unrealised		4,847
		5,197

The realised element represents the net cumulative total of the current cost adjustments which have been passed through the profit and loss account. Thus, it represents the difference between historical and current cost profits since current cost accounts were first prepared, in this case since 1st January, 1980.

10. MAJOR EVENTS SUBSEQUENT TO 31ST DECEMBER, 1980

On 29th April, 1981 the authorised share capital of the Company was increased to £25,000,000 divided into 100,000,000 Ordinary shares of 25p each. On 27th May, 1981, 46,211,404 shares were issued at a premium of 20·6p per share, credited as fully paid, to KCA International Limited and its nominee in consideration for the transfer to the Company of the entire share capital of KCAOD.

On the same date 11,388,592 shares were issued to KCA International Limited also at a premium of 20·6p per share, the consideration for which was the extinguishment of inter-company debts, totalling £5·2 million due from companies in the Group to KCA International Limited.

Following the above allotments KCA International Limited beneficially owned 60 million shares.

Subject to the Council of the Stock Exchange admitting the issued share capital to the Official List, 20,000,000 shares will be issued for cash at a premium of 70p per share in June, 1981.

The subsidiary KCAOD which was acquired in May, 1981 was incorporated on 16th April, 1980. This company owns the drillship "Polly Bristol" which is under construction.

11. ACCOUNTS

No audited accounts of the Group have been prepared in respect of any period subsequent to 31st December, 1980.

Yours faithfully,
DEARDEN FARROW,
Chartered Accountants.

APPENDIX 4
PRO-FORMA BALANCE SHEETS

The following are pro-forma balance sheets of the Group based on the aggregated accounts of the Group at 31st December, 1980, adjusted to show the effects of:

(a) The issue by the Company of 46,211,404 Ordinary shares of 25p each to KCA International Limited in exchange for the total issued capital of KCA Offshore Drilling Limited.

(b) The issue by the Company of 11,388,592 Ordinary shares of 25p each to KCA International Limited in consideration of the extinguishment of inter-company indebtedness of £5·2 million.

(c) The issue by the Company of 20,000,000 Ordinary shares of 25p each under the Offer for Sale dated 19th June, 1981, at 95p each.

(d) The expenses of the issue.

(e) The estimated costs to complete the drillship.

The above adjustments provide the balance sheet in the first column, headed "Adjusted Historical Accounts". A further adjustment, reflecting the market values of the Group's fixed assets, referred to above, provides the balance sheet in the column, headed "Using Revalued Assets".

No provision has been made for any contingent taxation liability in respect of these revaluations.

Since 31st December, 1980, the Company has paid a dividend of £252,000 to KCA International Limited. This dividend was paid out of the estimated profits of the Group for the first three months of 1981. Neither this dividend nor the estimated profits have been reflected in the pro-forma balance sheets.

	Adjusted Historical Accounts £'000	Using Revalued Assets £'000
Assets employed:		
Fixed assets, including completed drillship	42,388	76,888
Project development and market research	130	130
Deferred revenue expenditure	464	464
Net current assets	425	425
Goodwill on consolidation	21,100	—
	64,507	77,907
Financed by:		
Share capital	20,000	20,000
Share premium	26,964	26,964
Revenue deficit	(898)	(898)
Foreign currency translation reserves	(83)	(83)
Revaluation surpluses	—	13,400
	45,983	59,383
Deferred taxation	23	23
Loans	8,424	8,424
Due to KCA International Limited and subsidiary companies	8,300	8,300
Overseas taxation	1,777	1,777
	64,507	77,907

APPENDIX 5
PROFIT FORECAST ASSUMPTIONS AND LETTERS

1. Basis and Assumptions

The profit forecast of the Group for the year ending 31st December, 1981 and the notional profit forecast of the Group set out above have been based on the unaudited management accounts of the Group for the 3 months to 31st March, 1981, and on the following principal assumptions:

1. The operations of the Group will not be adversely affected by labour disputes, acts of war or political acts including nationalisation or other forms of expropriation. Losses will not be caused by extreme weather conditions, or blowout or fire damage.

2. There will be no significant adverse variations in exchange rates. A movement of US $0·10 from the current rate up or down of the pound sterling will have the effect of diminishing or increasing the pre-tax profit by approximately £200,000.

3. None of the Group's projects under development will be abandoned so as to necessitate writing off the development expenditure on such projects.

4. The existing drilling contracts expiring within the forecast period will be renewed on similar terms.

5. The drillship will start its contract on time on 1st August 1981, and there will be no serious running in problems. Also the drillship will not lose any significant revenue by reason of mechanical breakdowns, or extended maintenance periods in excess of that allowed in the contract.

6. Interest charged on the Group's borrowings is at the rate of 15% for sterling loans and 18% on Canadian dollar loans.

7. There will be no changes in United Kingdom taxation which will affect the Group.

2. Letters

The following are copies of letters to the Directors of the Company relating to the profit forecast:—

(a) Letter from Dearden Farrow:—

1 Serjeants' Inn,
London EC4Y 1JD
19th June, 1981

The Directors,
KCA Drilling Group P.L.C.,
9th Floor,
Berkeley Square House,
Berkeley Square,
London W1X 6BY

Gentlemen,

We have reviewed the accounting bases and calculations for the profit forecast of KCA Drilling Group P.L.C. and its subsidiary companies, for which you as Directors are solely responsible, for the year ending 31st December 1981 set out in the Offer for Sale Prospectus to be dated 19th June 1981.

In our opinion the forecast, so far as the accounting bases and calculations are concerned, has been properly compiled on the footing of the assumptions made by the Board set out in the Prospectus and is presented on a basis consistent with the accounting practices normally adopted by the Group, taking a realistic view of the incidence of foreign taxes, based on experience in past years.

Yours faithfully,
DEARDEN FARROW
Chartered Accountants.

(b) Letter from Charterhouse Japhet Limited:—

1 Paternoster Row,
St. Paul's,
London EC4M 7DH
19th June, 1981

The Directors,
KCA Drilling Group P.L.C.,
9th Floor,
Berkeley Square House,
Berkeley Square,
London W1X 6BY

Dear Sirs,

We refer to the profit forecast of your Company and its subsidiary companies for the year ending 31st December, 1981 set out in the Offer for Sale Prospectus to be dated 19th June, 1981.

We have discussed with officers of your Company the bases and assumptions underlying these forecasts. We have also considered the letter dated 19th June, 1981 addressed to yourselves from Dearden Farrow regarding the accounting bases and calculations underlying the forecast:

On the basis of the accounting policies and calculations reviewed by Dearden Farrow and the assumptions made by you, we consider that the profit forecast (for which the Directors are solely responsible) has been made after due and careful enquiry.

Yours faithfully,
for CHARTERHOUSE JAPHET LIMITED
B. A. FIREMAN
Director.

APPENDIX 6
SCHEDULE OF PROPERTIES

The following are the principal properties of the Group, which are used as offices or operational centres:—

Premises	Approximate area (sq. ft.)	Tenure	Current annual rental
UNITED KINGDOM			
KCA House, 227 Shepherds Bush Road, Hammersmith, London W.6.	7,700	Leasehold to 24th March, 2005 with 5 yearly rent reviews	£78,500
Regent Centre, Regent Road, Aberdeen	3,914	Leasehold to 4th May, 1983 with an option to extend for further periods of 6 months	£30,150
Greenbank Road, East Tullos, Aberdeen	13,500	Leasehold to 30th December, 2000 subject to rent review	£41,625
OVERSEAS			
Swani Road, Tripoli, Libya	60,000	Leasehold. Term indefinite *	Libyan Dinars 14,394 (equivalent to approximately £23,500)
3rd Floor, Manulife House 603-7 Avenue S.W., Calgary Alberta, Canada	1,153	Leasehold to 1st January, 1982	Canadian $ 16,430 (equivalent to £6,598)

APPENDIX 7
INFORMATION ON PRINCIPAL INSURANCE POLICIES

GROUP INSURANCE SUMMARY

1. DRILLING EQUIPMENT

Drilling rigs and equipment are at present insured on current insured value. Surveys are carried out at regular intervals to ascertain replacement cost value and current insured values are presently being reviewed in the light of the valuations set in Appendix 1. Deductibles vary according to the type of unit. Current land rigs carry a US $10,000 deductible and platform rigs a US $25,000 deductible.

A Schedule of Land Rigs and Platform Rigs

Rig	Operating Area	Current Insured Value		
71	Turkey	US $6,060,000		
83	Libya	US $6,500,000		
94	UK	US $1,420,000		
100	Libya	US $2,590,000		
101	Libya	US $1,350,000		
102	Libya	US $1,250,000		
103	Libya	US $1,190,000		
			Total	US $20,360,000
C1	Canada	Can. $4,264,000		
C2	USA	Can. $5,008,000		
C3	USA	Can. $5,368,467		
			Total	Can. $14,640,467

The insured values listed above include pipe and equipment and the like, camp units, warehouse stocks and include trucks where rig or equipment is truck/lorry mounted and the value of the truck is included.

Platform Rig			
51	North Sea	US $7,570,000	
52	North Sea	US $7,580,000	
			US $15,150,000

The insured values listed above in respect of units 51 and 52 include equipment and property of the Company or for which the Company is responsible.

B Dynamically positioned self-propelled drilling vessel (Co. 950) "Polly Bristol"

The current insurances on this vessel are a continuation of the construction policies which have applied since the inception of construction work. Security is divided between the London and Dutch insurance markets and it is based on the Dutch Bourse Policy for Construction Risks 1947 as amended including, *inter alia*, special clauses SC728/755/185/729/819/103.

Coverage is as follows:

B(1) Hull and Machinery: US $80,000,000

Policy includes Protection and Indemnity Insurance and transit/storage risks in respect of items associated with the vessel and its construction.

B(2) War Risks to the value of US $80,000,000 in accordance with standard London market price.

B(3) Total Loss Protection: US $20,000,000 on the same conditions as the Building Risk Policy on Hull and Machinery and the War Risk Insurance policy. This insurance covers, *inter alia*, claims for total loss and/or constructive total loss, general average, salvage, salvage charges and collision liability excess under headings B(1) and B(2) above.

B(4) Hull and Machinery Policy B(1) is subject to excess of 0.025 per cent. of the value of the Hull and Machinery separately where each accident or occurrence or series thereof arises out of or is approximately or remotely attributable to one initial cause. The excess does not apply to Total Loss etc., salvage or salvage charges, use and labour, claims under war risks and/or strikes clauses, loss or damage to materials in transit.

B(5) Summary: Insurance in respect of "Polly Bristol" has been effected up to US $100,000,000 (inclusive of total loss layer) while under construction/completion.

C Operating Insurances for Drillship

In accordance with Group policy operating insurances based on replacement cost will be effected from the date of delivery and acceptance in accordance with usual marine practice and with accepted security. KCAOD's liabilities associated with and/or arising out of the ownership and/or use of the vessel and any contractual obligations undertaken will be insured in a similar manner.

D Delayed Delivery Insurance for Drillship

KCAOD has purchased insurance against the risks of delayed delivery in certain circumstances. The policy conforms with the ABS71 London form and indemnifies KCAOD up to a maximum of US $6,000,000 (based on $100,000 per diem for 60 days delay). The waiting period under the policy is 14 days from 1st August 1981 to comply with the stipulation of the contract for operation of the vessel.

2. LIABILITIES

The Group's insurances comply with United Kingdom laws in respect of Employers Liability, and other laws as applicable in respect of United Kingdom and overseas operations. Coverage has been effected to provide protection against suits brought outside the usual scope of jurisdiction.

Legal liabilities in respect of all the Group's operations have been insured in the London market. Limits of protection are in all cases the minimum required by contract and where considered prudent up to excess limits in accordance with the Group's assessment of the exposure. The contractual obligations of the Group in respect of its drilling operations and the provision of labour services are insured in accordance with individual specifications.

Marine Cargo

Cover on new and/or used drilling rig and/or pipe equipment, camp units and equipment (including staff effects), warehouse stock and the like whilst in transit: Limit £500,000 (or equivalent) any one conveyance and/or location (facility to increase to £1,000,000 when required).

Overseas Covers

Fire and Comprehensive Perils:

On buildings, machinery, plant, stock and other property: total value £2,610,000.

Money:

Cover for transit and location risks for varying limits—max. limit £50,000 (or equivalent).

Motor:

Accidental damage, fire and theft of motor vehicles (total loss only), in Libya and Turkey.

Sums Insured: Libya — £461,894
Turkey — £174,396

U.K. Based Covers

Fire, Comprehensive Perils and Theft:
On buildings, machinery and stock at East Tullos, Aberdeen: value £535,000.

All Risks:
On office contents, machinery, plant and contents at specified locations: value £168,500.

Money:
Cover for transit and location risks for varying limits—max. limit £100,000 (non-negotiable documents).

Motor:
Comprehensive cover for commercial and "private car" vehicles owned by the Group or hired or lent to it.

U.S.A. and Canada
American and Canadian operations are insured for Employers Liability, Workmens' Compensation and Third Party Liability exposures in accordance with statute and common practice.
Physical assets are covered as set out in paragraph 1(a) above.
Minimum Liability coverage for operational activities is US $15,000,000 any one occurrence.

APPENDIX 8
STATUTORY AND GENERAL INFORMATION

1. SHARE CAPITAL

The Company was incorporated in England (Registered No. 1059871) as a private company on 29th June 1972 under the Companies Acts 1948 to 1967. The Company was incorporated with an authorised share capital of £100 divided into 500 Ordinary shares of 20p each. The Company was converted into a public company within the meaning of the Companies Act, 1948 on 11th August 1972. On 11th May 1981 the Company was re-registered as a public company within the meaning of the Companies Act 1980, with the name KCA Drilling Group P.L.C.

On the Company's incorporation one share was issued to each of the two subscribers. Since incorporation the following changes in capital have taken place:—

(a) On 8th August 1972 the authorised share capital of the Company was increased to £390,000 divided into 1,950,000 Ordinary shares of 20p each.

(b) Also on 8th August 1972 1,949,998 Ordinary shares of 20p each were allotted and the two subscribers shares were transferred to the shareholders of Kerr & Cawder Amscot Drilling Co. Limited in consideration for the transfer to the Company of the whole of the issued share capital of that company.

(c) On 11th August 1972 the authorised share capital of the Company was increased to £800,000 divided into 4,000,000 Ordinary shares of 20p each. Thereafter 1,050,000 Ordinary shares of 20p each were offered to the public at 98p per share.

(d) During the period 6th May 1974 to 25th June 1974 KCA acquired 880,350 Ordinary shares in the Company.

(e) On 27th June 1974 KCA made a formal offer to acquire all the issued Ordinary shares of the Company other than those already owned by KCA. The offer closed on 4th September 1974, by which time KCA had acquired a total of 2,401,077 Shares of the Company representing approximately 80% of the Company's issued share capital.
The listing for the Company's Shares was cancelled by the Council of The Stock Exchange on 30th September 1974.

(f) On 3rd March 1975 KCA acquired a further 585,000 shares of the Company from Caledonian Marketing Development Limited.

(g) On 29th October 1975 KCA made an offer for the remaining 13,923 shares of the Company. The offer closed on 21st November 1975 and at that stage the shares of any member of the Company who had not accepted the offer were compulsorily acquired under Section 209 of the Companies Act, 1948.

(h) On 29th April 1981 one Ordinary share of 20p in the Company was allotted to KCA and four such shares to P.L.H. Bristol for cash at par. Immediately thereafter the 4,000,000 Ordinary shares of 20p each in the capital of the Company were consolidated and sub-divided into 3,200,000 Ordinary shares of 25p each. Following the consolidation and sub-division the issued share capital of the Company consisted of 2,400,000 Ordinary shares of 25p each, owned by KCA, and 4 such shares by P.L.H. Bristol as nominee for KCA. On the same date the authorised share capital of the Company was increased to £25,000,000 divided into 100,000,000 Ordinary shares of 25p each.

(i) On 27th May 1981 the Company issued 46,211,404 Ordinary shares of 25p each to KCA and A. W. J. Banyard as nominee for KCA in consideration for the transfer of the whole of the issued share capital of KCAOD to the Company. On the same date the Company issued to KCA 11,388,592 Ordinary shares of 25p each in consideration for the extinguishment of inter-company indebtedness of £5.2 million.

(j) Pursuant to an Agreement dated 29th May 1981 referred to in paragraph 4 below Charterhouse Japhet Limited ("Charterhouse Japhet") has agreed to subscribe for 20,000,000 shares in the Company for cash.

All shares are or will be in registered form and rank or will rank *pari passu* as regards dividends, voting and capital.

2. ARTICLES OF ASSOCIATION

The new Articles of Association ("the Articles") of the Company contain provisions, *inter alia*, to the following effect:—

1 Votes of Members

(a) Subject to any special rights or restrictions attached by or in accordance with the Articles to any class of shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative shall have one vote, and on a poll every member who is present in person or by representative or by proxy shall have one vote for every share held by him.

(b) No member shall be entitled to vote or exercise any right conferred by membership in relation to general meetings if he or any person appearing to be interested in shares registered in his name is in default in supplying to the Company within 42 days the information required by a notice duly served under Section 27 of the Companies Act 1976.

2 Variation of Rights

The special rights and privileges for the time being attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the shares of the class. To every such separate meeting the provisions of the Articles as to general meetings shall, *mutatis mutandis*, apply but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class, that any holder of shares of the class present in person or by proxy may demand a poll, that the holders of shares of the class shall on a poll have one vote for each share of the class held by them respectively and that if at any adjourned meeting of such holders a quorum as defined above is not present then those of such holders who are present in person or by proxy (irrespective of the number of shares held) shall be a quorum.

3 Directors

(a) Save as mentioned below or as otherwise authorised by the Company in general meeting, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(b) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:—

(i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(iv) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in 1% or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

(v) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes.

(c) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under the proviso to paragraph (b) (iv) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(d) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned has not been fairly disclosed.

(e) Each of the Directors shall be entitled to receive by way of remuneration for his services the sum of £4,000 per annum or such other sum as the Company shall from time to time determine in General Meeting. The remuneration of each Director shall be deemed to accrue from day to day and shall be apportionable accordingly.

(f) If any Director shall devote to the business of the Company either his whole time and attention, or more of his time and attention than in the opinion of the Directors would usually be so devoted by a person holding such office, or shall undertake or perform any duties or services other than those which in the opinion of the Directors would usually be undertaken or performed by a person holding such office, or shall by request perform extra services or make any special exertions for any of the purposes of the Company or shall serve on any committee of the Directors, then and in any of such cases the Directors may remunerate the Director concerned in such manner as the Directors may determine and such remuneration may at their discretion be either in addition to or in substitution for all or any part of any other remuneration to which such Director may be entitled under the Articles.

(g) The Directors may from time to time appoint any one of their number to the office of Managing Director on such terms as to remuneration, pension and otherwise and with such of the powers exercisable by the Directors as they may think fit and for such period (other than for life) as the Directors may determine and, subject to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.

(h) The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they think fit and either collaterally with or to the exclusion of their own powers, and may from time to time (subject to the terms of any agreement entered into in any case) revoke, withdraw, alter or vary all or any of such powers.

(i) The Directors may pay or agree to pay pensions or other retirement, superannuation, death or disability benefits or allowances to or to any person in respect of any Director or former Director who may hold or may have held any executive office or employment under the Company or any subsidiary.

(j) The provisions of Section 185 of the Companies Act 1948 apply to the Company save that the said section should be read as if the age therein mentioned was 75 in substitution for 70.

4 Borrowing Powers

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group* (exclusive of intra-Group borrowings) shall not at any time without the sanction of an Ordinary Resolution of the Company exceed three times the aggregate of:—

(a) the nominal capital of the Company for the time being issued and paid up;

(b) the amounts standing to the credit of the consolidated capital and revenue reserves (including share premium account, capital redemption reserve fund and profit and loss account) of the Group;

all as shown in a consolidation of the then latest audited Balance Sheets of the Group but after:—

(i) making such adjustments as may be appropriate in respect of any variation in the issued and paid up share capital, the share premium account and the capital redemption reserve fund of the Company since the date of its latest audited Balance Sheet;

(ii) excluding therefrom (a) any sums set aside for future taxation and (b) amounts attributable to outside shareholders in subsidiaries;

(iii) deducting therefrom (a) an amount equal to any distribution by the Company out of profits earned prior to the date of its latest audited Balance Sheet and which has been declared, recommended or made since that date except so far as provided for in such Balance Sheet, (b) goodwill and other intangible assets and (c) any debit balance on profit and loss account.

The sanction of an Ordinary Resolution of the Company is not required for borrowings which exceed the above limit and which are intended to be applied and are applied within three months in the repayment (with or without premium) of any previous borrowings.

*"Group" means, for the purposes of these provisions, the Company and its subsidiaries.

5 Power to Issue Securities

The Directors may subject to the Companies Acts 1948 to 1980 exercise the power of the Company to allot relevant securities (as defined in the Companies Acts 1980) to such persons, on such terms and at such times as they may think proper, subject to a maximum aggregate nominal amount not exceeding the authorised but unissued share capital of the Company for the time being. The authority so conferred on the Directors expires on 29th April 1986 unless previously revoked or varied. The right of pre-emption given to existing shareholders by section 17 of the Companies Act 1980 does not apply to the issue of shares. No shares shall be issued at a discount except in accordance with the Companies Acts 1948 to 1980.

3. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiaries of the Company, all of which with the exception of KCA Engineering Limited are wholly-owned, are listed below in each case with their issued and, unless otherwise stated, fully paid share capitals and dates and countries of incorporation.

Company	Issued and Fully Paid Share Capital	Date of Incorporation	Country of Incorporation
Trading			
KCA Drilling Limited	£10,000	11th January 1957	Scotland
KCA Offshore Drilling Limited	£2	16th April 1980	England
KCA Equipment Leasing Limited	£100	15th November 1978	England
KCA Drilling (Canada) Ltd.*	Canadian $2	8th January 1980	Canada
KCA Engineering Limited*.. .. .. (75% owned)	50,000 Ordinary shares of £1 (10p paid)	28th December 1977	England
Non-Trading			
KCA Drilling (Nigeria) Limited*	Nigerian Naira 200	14th May 1970	Nigeria

*Shares owned by KCA Drilling Limited.

4. ISSUE ARRANGEMENTS

Under the Agreement dated 29th May 1981 referred to in paragraph 7 (i) below, Charterhouse Japhet has agreed to subscribe and offer for sale 20,000,000 Ordinary shares of 25p each in the capital of the Company at 95p per share. Under this Agreement, Charterhouse Japhet is to receive a fee of £507,500 (exclusive of Value Added Tax) out of which it will pay its legal costs and out of pocket expenses and the underwriting commission and fee referred to below. All other costs and expenses in relation to the Offer for Sale and associated transactions are payable by the Company.

Under underwriting arrangements to which the Company is not a party, the issue has been underwritten and Charterhouse Japhet will pay a commission of 1·5% of the Offer for Sale price on such shares so underwritten, and a fee to Carr Sebag & Co., brokers to the issue.

5. DIRECTORS' AND SUBSTANTIAL INTERESTS

(a) Save for the holding of 60,000,000 Ordinary shares of the Company beneficially owned by KCA (75% of the issued share capital of the Company), the Directors are not at present aware that there will be any holdings in excess of 5% of the Company's issued share capital following the Offer for Sale.

(b) There is set out below a statement showing the number of the Company's shares for which the Directors of the Company, their families and trusts intend to apply or procure application:—

Director	Number of Shares
P. L. H. Bristol	25,000
A. C. Barnard	20,000
M. A. McDowell	5,000
Sir G. K. N. Trevaskis	5,000

(c) Messrs. P. L. H. Bristol and A. C. Barnard, who are Directors of the Company, are also executive directors of KCA.

Save as mentioned below upon completion of the Offer, no Director will have any interest in the issued share capital of the Company, save to the extent to which Directors may acquire shares pursuant to the Offer for Sale.

(d) The following Directors of the Company have the following interests in the share capital of KCA:—

	Ordinary Shares of 25p		
	Beneficial	Non-Beneficial	Options
P. L. H. Bristol	200,913	600,000	320,333
A. C. Barnard	—	—	105,000
M. A. McDowell	—	—	20,000

6. SERVICE AGREEMENTS

In the year ended 31st December 1980 no emoluments were paid to the present Directors by the Company, but emoluments of £37,532 paid to a Director of the Company were charged to a subsidiary of the Company.

The aggregate emoluments of the present Directors payable by the Company for the year ending 31st December 1981 are estimated to be £19,730 and if all the Directors had served for the whole of the year they would have amounted to £32,008.

M. A. McDowell entered into a service contract with KCAD on 26th May 1981 for the period from 1st January 1981 to 31st December 1983 under which annual emoluments of £28,008 are payable.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into within the period of two years immediately preceding the date of this Document and are or may be material:—

(a) Agreement dated 21st May 1980, between Dypo B.V. and KCAOD under which KCAOD purchased a vessel known as Hull Co. 950 ("the drillship") from Dypo B.V. for US $20 million in cash.

(b) Contract dated 16th July 1980, between KCAOD and Boele's Scheepswerven en Machinefabriek B.V. ("Boele's") under which Boele's agreed to complete, fit out and redeliver the drillship to KCAOD for D.fls. 31,900,000 in cash.

(c) Loan Agreements dated 13th August 1980, 19th December 1980, 12th February 1981 and 3rd April 1981 between KCA, KCAOD, KCA Equipment Leasing Limited ("KCAEL"), KCAD and RBC under which RBC agreed to make available a loan facility of US $61 million to KCA and related agreements of various dates under which KCA and certain subsidiaries gave security for such loan facility.

(d) Agreement dated 22nd May 1981 between CAMPSA and KCAOD for the carrying out by the drillship of certain drilling work off the coast of Spain.

(e) Loan Agreement dated 26th May, 1981 between KCA, KCAOD, KCAEL, KCAD, the Company and RBC under which RBC agreed to release the security provided by the Group to RBC in consideration of, *inter alia*, the application of the net proceeds of the Offer for Sale in repayment of that part of the loan facility provided by RBC which is attributable to the Group. In addition RBC agreed to make available to certain subsidiaries of the Company the following loan facilities:—

(i) a loan facility of £2 million;

(ii) a loan facility of the sterling equivalent of US $48·5 million less the net proceeds of the Offer for Sale.

(f) Agreement dated 27th May 1981 between KCA and A. W. J. Banyard and the Company under which KCA and A. W. J. Banyard each agreed to transfer one Ordinary share of £1 each in the share capital of KCAOD to the Company and its nominee in exchange for the issue to KCA and A. W. J. Banyard respectively of 23,105,702 Ordinary shares of 25p each in the share capital of the Company.

(g) Management Agreement dated 27th May 1981 between the Company and KCA under which KCA agreed to provide for a term of three years certain management services to the Company for a fee of £800,000 per annum.

(h) Facility letter dated 27th May 1981 between KCA and the Company under which KCA agreed to continue to make available to the Company a term loan of £8,300,000.

(i) Agreement dated 29th May 1981 between KCA, the Company, the Directors of the Company and Charterhouse Japhet being the Agreement referred to in paragraph 4 above.

8. TAXATION

The Directors of the Company have been advised that the Company is not and following the Offer for Sale will not be, a close company within the meaning of the Income and Corporation Taxes Act 1970.

The Offer for Sale Agreement referred to in paragraph 7 above contains an indemnity given by KCA in favour of the Company and its shareholders against taxation falling on the Company as a result of transactions which were effected before completion of the Offer for Sale (as therein defined) and against any charge to tax under Section 278 of the Income and Corporation Taxes Act 1970 (as amended) arising from any transaction taking place whether before or after completion of the Offer for Sale.

9. GENERAL

(a) Save as disclosed herein:—

(i) no share or loan capital of the Company or any subsidiary has been issued within two years preceding the date hereof for cash or for a consideration other than cash and no such capital of the Company or any subsidiary is now proposed to be issued;

(ii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any subsidiary within two years preceding the date hereof in connection with the issue or sale of any part of their respective share or loan capitals;

(iii) no share or loan capital of the Company or any subsidiary is under option or has been agreed conditionally to be put under option.

(b) No material issue of shares of the Company (other than to shareholders *pro rata* to existing holdings) will be made within one year of the date hereof without the prior approval of the Company in general meeting.

(c) Following this Offer for Sale 20,000,000 Ordinary shares of 25p each will remain unissued (representing 20% of the Company's authorised share capital) but no issue of shares of the Company will be made which would effectively alter the control of the Company without prior approval of the Company in general meeting.

(d) No Director of the Company has had any material interest, direct or indirect, in any assets which within the two years preceding the date of this Document have been, or which are proposed to be, acquired or disposed of by, or leased to, the Company or any subsidiary.

(e) Save as disclosed herein, no contract or arrangement subsists at the date of this Document in which a Director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

(f) Neither the Company nor any of its subsidiaries is engaged in any litigation which, in the opinion of the Directors of the Company, is of material importance, and no litigation or claim of material importance is known to the Directors of the Company to be pending or threatened against the Company or any of its subsidiaries except for a possible taxation claim against one of the subsidiaries of the Company in respect of which KCA have given an indemnity.

(g) The expenses of the Offer for Sale are estimated to amount to £1 million (including capital duty of £242,000 and a fee to Charterhouse Japhet referred to in paragraph 4 above but excluding VAT).

(h) The minimum amount which in the opinion of the Directors of the Company must be raised by the issue of the shares now being offered for sale is £19 million, which in relation to each of the below specified sub-paragraphs of paragraph 4(a) of Part One of the Fourth Schedule to the Companies Act, 1948 as regards the matters therein specified, is made up as follows:—

(i) £10,240,000.

(ii) Nil.

(iii) £8,760,000.

(iv) Nil.

The above amounts are to be provided exclusively out of the proceeds of the issue of the shares now being offered for sale, and having regard to the Agreement referred to in paragraph 1(j) above, the receipt of such amounts is assured.

(i) Save as disclosed herein no amount or benefit has been paid or given to any promoter nor is intended to be paid or given.

(j) The Directors of the Company consider that, following this Offer for Sale, the Company will have sufficient working capital for its present requirements.

(k) Dearden Farrow, Eggar, Forrester Offshore Limited, Industrial Inventory Co. Ltd. and Matthews-Daniel Company have given and not withdrawn their respective written consents to the issue of this document with the inclusion herein of their respective reports and/or letters and references to them in the form and context in which they respectively appear.

(l) The documents attached to copies of this Document delivered to the Registrar of Companies for registration were the written consents referred to in paragraph 9(k) above, copies of the contracts listed in paragraph 7 above, and the statement of Dearden Farrow setting out the adjustments made in arriving at the figures contained in their report and giving the reasons therefor.

(m) In this document translations from foreign currencies have been made into pounds sterling at the rates ruling on:—

	30th April 1981 (in relation to indebtedness)	22nd May 1981 (for all other purposes)
US $	2·14	2·07
Canadian $	2·56	2·49

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and Public Holidays excepted) at the offices of Durrant Piesse, 73 Cheapside, London EC2V 6ER up to and including 26th June 1981:—

(a) the Memorandum and Articles of Association of the Company;

(b) the audited accounts of the Company and each of its subsidiaries for the financial periods ended 31st December 1979 and 31st December 1980;

(c) the report and statement of adjustments by Dearden Farrow;

(d) the reports of Eggar, Forrester Offshore Limited, Industrial Inventory Co. Ltd. and Matthews-Daniel Company;

(e) the consents referred to in paragraph 9(k) above;

(f) the material contracts referred to in paragraph 7 above; and

(g) a copy of the statement, approved by the Directors of KCA, regarding the future relationship between KCA and the Group.

Dated 19th June 1981.

PROCEDURE FOR APPLICATION

Delivery
The Application Form duly completed should be returned to Charterhouse Japhet Limited, New Issues Department, 1 Paternoster Row, St. Paul's, London EC4M 7DH so as to arrive not later than 10.00 a.m. on 26th June 1981.

Number of Shares applied for
Applications must be for a minimum of 100 shares and in multiples of 100 shares up to 2,000 shares; in multiples of 500 shares between 2,000 and 10,000 shares; in multiples of 1,000 shares between 10,000 and 25,000 shares; in multiples of 5,000 shares between 25,000 and 100,000 shares; in multiples of 10,000 shares between 100,000 and 1,000,000 shares and thereafter in multiples of 50,000 shares.

Priority will be given to applications received from employees of the Company and its subsidiaries for up to a maximum of 1,000,000 shares (5% of the shares now being offered for sale). Such applications should be made on the special pink forms provided for the purpose.

Examples of the amount payable on application at 95p per share are set out below:—

Number of shares applied for	Amount payable on application
	£
100	95
500	475
1,000	950
1,500	1,425
2,000	1,900
5,000	4,750
10,000	9,500
50,000	47,500
100,000	95,000
1,000,000	950,000

Payment
A separate cheque must accompany each application and must be made payable to Charterhouse Japhet Limited drawn on a bank account in the United Kingdom and crossed "Not Negotiable". The right is reserved to present all cheques for payment on receipt and to retain the Renounceable Letters of Acceptance and surplus application moneys pending clearance of the applicants' cheques. Due completion of and delivery of the Application Form accompanied by a cheque will constitute a warranty that the cheque will be honoured on first presentation and attention is drawn to the declaration in the Application Form to that effect. Charterhouse Japhet Limited reserves the right to reject any application or to accept any application in part only. If any application is rejected the amount paid on application will be returned to the applicant in full. If the number of Ordinary shares allotted is less than the number applied for, the balance of the application moneys will be returned.

Admission to the Official List
Acceptance of application will be conditional on the Council of The Stock Exchange admitting the whole of the issued share capital of the Company to the Official List not later than 3rd July, 1981. Moneys collected in respect of applications will be returned if such condition is not satisfied by that date and in the meantime will be retained by Charterhouse Japhet Limited in a separate account.

Documents
Renounceable Letters of Acceptance will be sent to successful applicants by post not later than 1st July, 1981 and the last day for registration of renunciation will be 7th August, 1981. Share Certificates will be posted not later than 4th September, 1981.
Renounceable Letters of Acceptance, cheques, certificates and any other documents will be despatched by post at the risk of the persons entitled thereto.

Copies of the Offer for Sale, with the Application Forms, may be obtained from:—

Charterhouse Japhet Limited, 1 Paternoster Row, St. Paul's, London EC4M 7DH

Carr Sebag & Co., Windsor House, 39 King Street, London EC2V 8BA

KCA Drilling Group P.L.C., 9th Floor, Berkeley Square House, Berkeley Square, London W1X 6BY

The Royal Bank of Scotland Limited, P.O. Box 31, 36 St. Andrew Square, Edinburgh EH2 2YB

Charterhouse Japhet (Midlands) Limited, Beaufort House, Newhall Street, Birmingham B3 1PB

Charterhouse Japhet (Northern) Limited, 2 Collingwood Street, Newcastle-upon-Tyne, NE1 1JF

Charterhouse Japhet (Northern) Limited, Pall Mall Court, 67 King Street, Manchester M2 4PD

THE APPLICATION LIST WILL OPEN AT 10 a.m. ON 26th JUNE, 1981 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

This Application Form should be forwarded to Charterhouse Japhet Limited, New Issues Department, 1 Paternoster Row, St. Paul's, London EC4M 7DH with a cheque for the full amount payable at the application price of 95p per share, so as to arrive not later than 10.00 a.m. on 26th June, 1981. Cheques, which must be drawn on a bank in the United Kingdom, must be made payable to "Charterhouse Japhet Limited" and be crossed "Not Negotiable" and are liable to be presented for payment on receipt. A separate cheque must accompany each Application Form.

Applicants are advised to use first class post and to allow at least two days for delivery.

APPLICATION FORM

KCA DRILLING GROUP P.L.C.

Offer for Sale

By CHARTERHOUSE JAPHET LIMITED

of 20,000,000 Ordinary Shares of 25p each in KCA Drilling Group P.L.C. ("the Company") at 95p per share

Number of shares for which application is made*	Amount of cheque enclosed
	£

*Applications must be for a minimum of 100 shares and in multiples of 100 shares up to 2,000 shares; in multiples of 500 shares between 2,000 and 10,000 shares; in multiples of 1,000 shares between 10,000 and 25,000 shares; in multiples of 5,000 shares between 25,000 and 100,000 shares; in multiples of 10,000 shares between 100,000 and 1,000,000 shares and thereafter in multiples of 50,000 shares.

FOR OFFICE USE ONLY
1 Acceptance Number
2 Number of shares accepted
3 Amount received on application £
4 Amount payable on shares accepted £
5 Amount returned £
6 Refund cheque number
7 Split
8 Renounced

To: CHARTERHOUSE JAPHET LIMITED

Gentlemen,

I/We enclose a cheque payable to Charterhouse Japhet Limited for the above-mentioned sum, being the amount payable on application for the number of Ordinary shares of 25p each in the Company stated above at 95p per share payable in full on application and I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of the Offer for Sale dated 19th June, 1981 and subject to the Memorandum and Articles of Association of the Company. I/We request that you send to me/us a Renounceable Letter of Acceptance in respect of such Ordinary shares, together with a cheque for any amount overpaid, by post at my/our risk to my/our address first given below.

I/We warrant that the completion and delivery of this Application Form accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation. I/We acknowledge that Renounceable Letters of Acceptance and cheques for excess application moneys are liable to be held pending clearance of applicants' cheques.

Date

(1) Signature

PLEASE USE BLOCK LETTERS

← Forename(s) (in full)
← Surname and designation (Mr., Mrs., Miss, or title)
← Address (in full)

(2) Signature
PLEASE USE BLOCK LETTERS
Forename(s) (in full)
Surname and designation (Mr., Mrs., Miss, or title)
Address (in full)

PLEASE PIN CHEQUE HERE

(3) Signature
Forename(s) (in full)
Surname and designation (Mr., Mrs., Miss, or title)
Address (in full)

(4) Signature
Forename(s) (in full)
Surname and designation (Mr., Mrs., Miss, or title)
Address (in full)

ALL JOINT APPLICANTS MUST SIGN. A corporation should affix its seal or sign under the hand of a duly authorised officer who should state his representative capacity.
No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course through the post by Renounceable Letter of Acceptance and/or return of application moneys or any excess thereof.

Strong growth by foreign banks in Switzerland

BY JOHN WICKS IN ZURICH

DESPITE THE further narrowing of interest margins and "intense international competition," 1980 was a successful year for members of the Association of Foreign Banks in Switzerland.

The Association's annual report, adds that, due partly to changes in foreign exchange rates, the banks combined balance sheets expanded by 21 per cent over the year to SwFr 54.6bn ($26.4bn). Corresponding growth in the assets total of foreign controlled "bank-like finance companies" was of 23.6 per cent to SwFr 8.8bn ($4.25bn).

This compares with an increase of only 11.8 per cent in the balance sheet sum of all 557 banks and bank-like finance companies operating in Switzerland last year, which was of SwFr 489.9bn ($236.6bn), giving the foreign institutes a share of 13 per cent.

Introducing the annual report, Dr Fernando Garzoni, chairman of the Association, disclosed that net profits of Switzerland's foreign banks had risen by as much as 30 per cent *and their cashflow by 44 per cent in 1980.* A typical breakdown of earnings showed that about one half came from interest income, 30 per cent from commissions and 20 per cent from foreign-exchange operations.

Foreign banks in Switzerland are particularly important in the sector of fiduciary operations. Last year, the sum for these non-balance-sheet positions rose by 46 per cent to some SwFr 52bn ($25.1bn), or only little less than the respective banks' actual assets.

This was about 40 per cent *of total fiduciary accounts in* the Swiss banking system.

Start-up costs at Malmo hit PLM

By William Dullforce in Stockholm

PLM, THE Swedish metal can, packaging, and waste recovery group, reports an earnings slide from SKr 16.5m to SKr 900,000 ($180,000) in the first four months of the year.

The decline is wholly attributable to the start-up costs of the new aluminium can plant at Malmö which is estimated to have cost SKr 20m.

Group sales amounted to SKr 755m ($151m) during the period, a rise of about 10 per cent for comparable units, the company states. The result for the four months is described as better than expected by Mr Ulf Laurin, the managing *director.*

Nevertheless, he warns that costs for running in the new factory will continue through the second four-month period, so that the decline in profits for 1981 as a whole will be around SKr 35m, or more than *forecast earlier.* Last year PLM returned SKr 96.2m on net sales of SKr 2.3bn.

In addition to the loss sustained on the new factory, PLM/PAC, the Swedish can and packaging unit, experienced lower sales growth of *7.6 per cent.*

PLM's other divisions all showed small profit rises. Turnover in Euroglas, which has glassworks in West Germany and the Netherlands, advanced by almost 18 per cent, while PLM Haustrup, *the Danish operation, showed* a 14.8 per cent rise in sales.

Christiania Bank lower

By Fay Gjester in Oslo

CHRISTIANIA BANK og Kreditaasse, Norway's second largest commercial bank, reports operating profit of NKr 72m (US$12.3m) in the *first four months of 1981, corresponding* to 0.95 per cent of average capital employed. This compares with NKr 82m, and 1.4 per cent, in the same period last year.

The bank *says* that profitability was very poor during the first two months of *1981, though* it improved somewhat towards the end of the four month period.

The Government's stringent credit policies were partly to blame, but the bank's liquidity situation, following last year's merger with the troubled Andresens Bank, contributed.

Fines and suspended sentences in Texon case

BY OUR ZURICH CORRESPONDENT

A COURT in Mendrisio has imposed suspended prison sentences and fines on charges of tax fraud in connection with the *so-called "Texon affair,"* involving the Chiasso branch of Credit Suisse and a Liechtenstein letter-box company.

The case, which was uncovered in 1977, concerned the improper channelling of over SwFr 2bn of clients' fiduciary funds through the Liechtenstein-registered Texon Finanzanstalt.

In the final criminal proceedings connected with the affair, suspended prison sentences of two months each and fines of SwFr 400,000 each were imposed on Sr Claudio Laffranchi the former branch manager, on Sr Alfredo Noseda, Sr Elbio Gada, and Sr Alessandro Villa, partners in Texon.

The sentences, which are additional to those passed on the four men and on the late head of the Chiasso branch. Sr Ernst Kuhrmeier, in 1979, concern tax fraud on a sum of SwFr 162m and attempted tax fraud on a further SwFr 28m.

The tax in question is Withholding Tax not paid on Texon funds for the period between January 1 1972 and March 30 1977.

Former Texon operations fall under the Statute of Limitations. The Withholding Tax outstanding has *since* been paid by Credit Suisse itself.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
Allnatt London	July 17	Final 3.2
*Anderson Strathclyde	June 22	Final 3.0
*Assoc. Comms	June 25	Final 4.9
Assoc. Newspapers	July 16	Int. 4.5
*BPB Inds.	June 24	Final 5.0
*Baker Perkins	June 25	Final 4.35
*Charter Cons	June 23	Final 5.0
*Chloride	June 24	Final 2.3
Daily Mail & Gen. Tst.	July 15	Int. 9.5
Distillers	July 17	Final 7.75
Eastern Produce	June 23	Final 3.22
*Ferranti	June 24	Final 4.0
*GEI Int.	June 23	Final 3.556
Gestetner	July 15	Int. 2.5
Granada	July 9	Int. 1.584
Greene King	July 3	Final 3.5
GUS	July 17	Final 7.125
*Hambros	June 23	Final 11.0
*IC Gas	July 7	Final 13.0
Illingworth Morris	July 18	Final nil
*Imperial Group	July 9	Int. 2.75
*Lloyds Bank	July 17	Int. 7.5
LRC Int.	July 14	Final 1.75
Lonrho	July 17	Int. 3
Magnet and Southerns	July 15	Final 4.5
*Meyer (Mont. L.)	July 9	Final 4
*Natwest Bank	July 28	Int. 8.75
*Norcros	June 26	Final 3.56
*Plessey	June 25	Final 4.01
*Powell Duffryn	June 24	Final 9.0
*Racal Electronics	June 23	Final 3.076
Rank Org.	July 14	Int. 4.8
Ramers (Jewellers)	July 10	Final 1.925
*Redland	June 25	Final 4
*Renold	June 25	Final 5.2
Rothmans International	July 8	Final 2.11
SGB	July 1	Int. 2.3
*Scapa	June 25	Final 3.75
*Scot. and Newc. Brews	July 2	Final 2.675
*Tecalemit	June 23	Final 1.5625
Thorn EMI	July 11	Final 10.575
Town and City Props	July 4	Final 0.01
Trusthouse Forte	June 25	Int. 2.25
Unigate	July 17	Final 3.7
*Union Discount	July 15	Int. 9.0
United Gas Inds	July 10	Final 3.5
*Whitecroft	June 22	Final 5.2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank 12 %	■ Guinness Mahon 12 %
Allied Irish Bank 12 %	■ Hambros Bank 12 %
American Express Bk. 12 %	Heritable & Gen. Trust 12 %
Amro Bank 12 %	■ Hill Samuel §12 %
Henry Ansbacher 12 %	C. Hoare & Co. †12 %
AP Bank Ltd. 12 %	Hongkong & Shanghai 12 %
■ Arbuthnot Latham 12 %	Knowsley & Co. Ltd. 14 %
Associates Cap. Corp. 12 %	Langris Trust Ltd. 12 %
Banco de Bilbao 12 %	Lloyds Bank 12 %
BCCI 12 %	Mallinhall Limited 12 %
Bank of Cyprus 12 %	Edward Manson & Co. 13 %
Bank of N.S.W. 12 %	Midland Bank 12 %
Banque Belge Ltd. 12 %	■ Samuel Montagu 12 %
Banque du Rhone et de la Tamise S.A. 12½%	■ Morgan Grenfell 12 %
Barclays Bank 12 %	National Westminster 12 %
Beneficial Trust Ltd. 13 %	Norwich General Trust 12 %
Bremar Holdings Ltd. 13 %	P. S. Refson & Co. 12 %
Bristol & West Invests. 13 %	Ryl. Bk. Canada (Ldn.) 12 %
Brit. Bank of Mid. East 12 %	Slavenburg's Bank 12 %
■ Brown Shipley 12½%	E. S. Schwab 13 %
Canada Perm't Trust 13 %	Standard Chartered ∥12 %
Cayzer Ltd. 12 %	Trade Dev. Bank 12 %
Cedar Holdings 12 %	Trustee Savings Bank 12 %
■ Charterhouse Japhet 12 %	TCB Ltd. 12 %
Choulartons 12 %	United Bank of Kuwait 12 %
C. E. Coates 12 %	Whiteaway Laidlaw 12½%
Consolidated Credits 12 %	Williams & Glyn's 12 %
Co-operative Bank *12 %	Wintrust Secs. Ltd. 12 %
Corinthian Secs. 12 %	Yorkshire Bank 12 %
The Cyprus Popular Bk. 12 %	■ Members of the Accepting Houses Committee.
Duncan Lawrie 12 %	* 7-day deposits 9%, 1-month 9¼%. Short term £8,000/12 months 11.85%.
Eagil Trust 12 %	
E. T. Trust Limited 12 %	† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼% and over £50,000 10%.
First Nat. Fin. Corp. 14 %	
First Nat. Secs. Ltd. 14 %	‡ Call deposits £1,000 and over 8%.
Robert Fraser 12 %	§ Demand deposits 9¼%.
Antony Gibbs 12 %	∥ 21-day deposits over £1,000 10¼%.
Greyhound Guaranty 12 %	
Grindlays Bank ‡12 %	

CURRENCIES, MONEY and GOLD

Gold in the doldrums

BY COLIN MILLHAM

GOLD CONTINUES to suffer from the high level of international interest rates, and in the last few weeks has been at its lowest level since December 1979. Towards the end of 1979 gold rose on the taking of the U.S. hostages and the general *turmoil* in Iran. On top of this the invasion of Afghanistan by the Soviet Union led to such nervousness that the metal touched $850 at the beginning of 1980. The war between Iran and Iraq seems to have been largely forgotten in the West, but when hostilities began last September, *gold appeared to be moving back* towards the levels of the early part of the year, touching $721 and leading to talk of the $1,000 level.

Since then the threat of military confrontation between Israel and one or more of its Arab neighbours has grown, and an invasion of Poland is still one of the unpalatable alternatives under consideration by the Soviet Union.

Against this background it may have been expected that gold would be rising to new heights, reinforced by the success of the *Socialists in France. But this is* not the case. It is the dollar that has been in heavy demand, while gold has been either neglected or actively depressed.

Like all other financial markets bullion trading has been heavily influenced by the strength of the dollar, which rose again quite sharply last week.

Recently encouraging U.S. money supply figures had led to a lowering of U.S. interest rates and a consequent easing of the dollar. But the Federal Reserve has shown no sign of relaxing *its tight monetary policy, and in* the latter part of last week rates were climbing once again.

Not all market observers are pessimistic about gold's future performance however, partly on the performance of the New York Comex market which has appeared reluctant to fall below $450, despite recent attacks on that level. If the tension does boil over in the Middle East, or more particularly Central Europe, gold may well be set for a sharp rise, but meanwhile U.S. interest rates will continue to dominate sentiment.

THE POUND SPOT AND FORWARD

June 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9590-1.9750	1.9705-1.9715	1.10-1.20c dis	−7.00	3.00-3.10dis	−6.19
Canada	2.3630-2.3800	2.3760-2.3770	1.40-1.50c dis	−7.32	4.00-4.15dis	−6.86
Nethlnd.	5.19-5.23	5.20-5.21	½c pm-½ dis	—	⅞ pm-⅛ dis	0.29
Belgium	76.40-76.90	76.65-76.75	16-26c dis	−3.28	50-60 dis	−2.87

THE DOLLAR SPOT AND FORWARD

GOLD

	June 19		June 18	
Gold Bullion (fine ounce)				
Close	$457-457	(£232½-234)	$458-461	(£231½-233)
Opening	$456-459	(£232¼-233¾)	$458-461	(£230½-232)
Morning fixing	$457.75	(£233.058)	$460.25	(£231.689)
Afternoon fixing	$458.25	(£233.087)	$459	(£232.405)

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES (Market closing Rates)

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 19)

LONDON MONEY RATES

CURRENCY RATES

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS—contd.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	62.9	67.7	-0.5	2.74
Abbey Capital	[illegible]	[illegible]		4.05
Abbey General	[illegible]	63.9	-0.1	4.80
Abbey Gilt & F.I. Tst.	99.9	105.2	-0.4	12.45
Abbey Income	38.9	42.3	-0.1	8.34
Abbey W'w. Bd. Tst.	94.3	99.6		6.71
Abbey Inv. Ts. Fd.	53.7	58.7		4.13
Equitas Prog. Tst.	84.1	90.9	-0.2	4.50

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	83.1	88.1	+0.2	13.02

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	93.6	100.2	-0.2	5.59
Brit. Inds. Fund	79.5	85.1	-0.5	5.99
Growth & Income	54.3	58.1	-0.2	4.30
Elect. & Ind. Dev.	47.2	50.5		4.95
Allied Capital	101.6	108.7	-0.3	4.05
Hambro Fund	137.3	146.9	-0.3	4.46
Hambro Acc. Fund	193.1	206.6	-0.3	3.97

Income Funds

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	37.5	41.0	-0.1	11.09
North American	72.8	77.6	-0.6	2.19
Canadian Exempt*	76.9	81.3		2.84
Canadian Trust	72.7	77.5	+0.7	2.28
Mid Mount High Inc.*	50.3	53.2		9.05
Recovery	60.4	65.9	+0.1	6.52
Gilt Trust	40.7	42.6	-0.3	13.59

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	48.5	52.1	-0.1	0.48
Cres. Internat'l.	93.5	100.9	-0.1	1.49
Cres. High. Dist.	45.4	49.0		9.18
Cres. Reserves	52.4	56.5	-0.4	5.31
Cres. Tokyo	40.8	44.0		0.28

Darlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.7	25.1		8.31

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. June 12	252.0	268.8		4.94

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.9	22.0		7.48
Gt. Winchester O'seas	30.5	33.8		2.98

For Euson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	94.9	99.8	-0.2	4.35

FT UNIT TRUST INFORMATION SERVICE

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	262.7	276.5		3.94

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Pro. Fund May 31	150.70			6.76
Wider Fund May 31	274.60			4.92
Narrower Fd. May 31	75.50			13.50

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American	76.7	81.7	+0.4	1.92
(Accum. Units)	82.4	87.8	+0.5	1.92
American Recovery	89.2	95.4	+0.3	1.28
(Accum. Units)	92.1	98.5	+0.3	1.28
Australasian	111.7	119.5	-0.1	0.86
(Accum. Units)	116.9	125.1	-0.1	0.86
Commodity	149.2	159.6	+0.1	2.77
(Accum. Units)	175.4	187.7	+0.1	2.77
Compound Growth	194.7	210.3	-0.1	2.88
Conversion Growth	131.1	140.3	+1.1	2.16
Conversion Income	79.3	84.9		8.79
Dividend	135.8	146.0	-1.1	9.07
(Accum. Units)	310.8	334.1	-2.5	9.07
European	60.1	64.6	-0.3	3.40
(Accum. Units)	65.9	70.8	-0.3	3.40
Extra Yield	87.9	95.8	-0.5	9.01
(Accum. Units)	142.8	154.7	-0.8	9.01
Far Eastern	142.4	152.4	+1.5	1.05
(Accum. Units)	162.9	174.3	+1.7	1.05
Fund of Inv. Tsts.	99.4	106.9	-0.3	4.33
(Accum. Units)	135.7	145.9	-0.3	4.33
General	243.2	261.4	-0.8	5.78
(Accum. Units)	421.4	453.0	-1.4	5.78
Gilt Income	44.7	46.9	-0.3	10.96
(Accum. Units)	46.3	48.6	-0.3	10.96
High Income	115.4	123.5	-0.8	8.44
(Accum. Units)	238.1	254.8	-1.5	8.44
Japan	194.2	207.8	+2.9	0.57
(Accum. Units)	204.3	218.6	+3.1	0.57
Magnum	357.7	379.7	-0.7	5.07

Schroder Unit Trust Managers Ltd.
48, St. Martins Lane, WC2. Dealings 0705 27733

Capital	180.0	193.5	-0.5	2.40
(Accum. Units)	233.0	250.5	-0.7	2.40
Income Fnd.	230.1	247.4	-0.9	7.76
(Accum. Units)	406.9	437.5	-1.4	7.76
Gen.	136.4	146.6	-1.4	3.56
(Accum. Units)	184.7	198.6	-1.9	3.56
Europe	21.	23.3	-0.1	2.66
(Accum. Units)	25.9	27.8	-0.1	2.66
Smaller Co.'s	156.8	168.6	-0.5	2.53
American	57.2	61.4	+0.3	0.52
(Accum. Units)	57.2	61.4	+0.3	0.52
Tokyo	57.7	62.0		0.20
(Accum. Units)	57.7	62.0		0.20
Gilt & Fixed	45.8	48.2	-0.4	11.62
(Accum. Units)	45.8	48.2	-0.4	11.62
Australian	55.4	60.2	+0.3	1.76
(Accum. Units)	55.4	60.2	+0.3	1.76
*Ph.&C Fd. May 26	246.0	258.9		4.84
*Recovery June 9	321.0	337.8		3.80
*Spec. Ex. June 9	506.6	533.2		1.98
*Euro.Exempt June 18	109.0	114.7		2.01

*For tax exempt funds only.

Scottish Amicable Inv. Mngrs. Ltd.
150 St. Vincent St., Glasgow 041-221 8844

Equity Trust Accum.	103.5	111.7	-0.3	5.59

Scottish Equitable Fnd. Mgrs. Ltd.♥
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	66.6	70.8		4.94
Accum. Units	86.0	91.5		4.94

Dealing day Wednesday.
For Sebag see Carr, Sebag Unit Trust Managers.
For Security Selection see McAnally Fund Management.

SIMCO Money Funds
66, Cannon Street, EC4N 6AE 01-236 1425

SIMCO Call Fund†	100.0			11.13
SIMCO 7-Day Fund†	100.0			11.24

†Unauthorised—Cash Deposit Funds.

Cannon Assurance Ltd.
1 Olympic Way, Wembley HA9 0NB.

Capital Life Assurance♥
Coniston House, Chapel Ash Wton.
Key Invest. Fd.
Pacemaker Inv. Fd.

Charterhouse Magna Gp.♥
Stephenson Hse., Brunel Centre, Bletchley, Milton Keynes.

Chieftain Assurance Funds
11 New Street, EC2

INSURANCE PROPERTY BONDS

Norwich Union Insurance Group♥
PO Box 4, Norwich NR1 3NG. 0603 22200

Managed Fund	288.5	303.7	-0.8	—
Equity Fund	499.2	525.5	-1.2	—
Property Fund	192.3	202.4	+0.1	—
Fixed Int. Fund	170.7	179.6	-1.2	—
Deposit Fund	136.8	144.0	+0.1	—
Nor. Units June 15		291.6		—

Phoenix Assurance Co. Ltd.
4-5 King William St., EC4P 4HR. 01-626 9876

Wealth Ass.	162.4	171.0		—
Eb'r. Ph.Eq.E.	124.9	132.2		—

Pioneer Mutual Insurance Co. Ltd.
16, Crosby Rd., N. Waterloo, L'pool 051-928 6655

Pioneer Mtl. Md. Fd.	94.4	100.0		—

Planned Savings Group
25 Worship St., London, EC2A 2AB. 01-920 0661

1st Managed	95.7	101.2		—
1st Fixed Interest	68.0	72.9		—
4th Managed	56.0	59.4		—
5th Managed	67.4	71.4		—
Pension Managed	65.45	69.41		—
Family Managed	143.3	146.3		—
Do. B Managed	78.7	80.3		—
Do. C Britannia	40.6	41.8		—
Do. D Fxd. Int.	94.5	96.5		—
Family Capital Fund	79.5	81.1		—
Family Brit.II	49.8	50.8		—

Premium Life Assurance Co. Ltd.
Eastchester Hse., Haywards Heath, 0444 58721

American Tech. Fd.	121.0	128.0	-4.6	—
Building Soc. Fd.	97.0	103.0		—
Balanced	106.0	112.0	+1.0	—
Data Mangd. Fd.	93.0	98.0		—
Deposit	103.0	109.0	+1.0	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 5941

Man. Fund Inc.	137.6	144.8		—
Man. Fund Cap.	131.0	138.0		—
Man. Fund Acc.	183.5	193.2		—
Man. Fd. Init.	140.2	147.6		—
Prop. Fund Inc.	135.9	143.0		—
Prop. Fd. Cap.	124.7	131.3		—
Prop. Fd. Acc.	192.2	202.3		—
Prop. Fd. Init.	132.5	139.5		—
Prop. Fd. Inv.	142.0	—		—
Fixed Int. Fd. Inc.	117.6	123.8		—
Fixed Int. Fd. Cap.	109.7	114.4		—
Fixed Int. Fd. Acc.	118.4	124.6		—
Fixed Int. Fd. Init.	116.0	122.1		—
Dep. Fd. Inc.	111.0	116.8		—
Dep. Fd. Acc.	111.0	116.8		—
Dep. Fd. Init.	108.8	114.5		—
U.K. Equity Fd. Inc.	153.7	161.8		—
U.K. Equity Fd. Cap.	141.2	148.6		—
U.K. Equity Fd. Acc.	153.7	161.8		—
U.K. Equity Fd. Init.	150.7	158.6		—
Int. Equity Fd. Inc.	147.8	155.6		—
Int. Equity Fd. Cap.	135.8	142.9		—
Int. Equity Fd. Acc.	147.8	155.6		—
Int. Equity Fd. Init.	144.9	152.5		—
Ret. Plan Ac. Pen.	146.1	157.1	-0.5	—
Ret. Plan Cap. Pen.	109.2	117.3	-0.4	—
Man. Pen. Fd. Acc.	273.3	287.7		—
Man. Pen. Fd. Cap.	225.5	237.0		—
Gilt Pen. Fd. Acc.	166.8	175.6		—
Gilt Pen. Fd. Cap.	141.8	149.3		—
Prop. Pen. Fd. Acc.	227.9	239.9		—
Prop. Pen. Fd. Cap.	205.5	216.3		—
Guar. Pen. Fd. Acc.	138.0	145.3		—
Guar. Pen. Fd. Cap.	124.9	131.5		—

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

Your Financial Adviser

NIPPON KANGYO KAKUMARU SECURITIES
TOKYO, JAPAN
• London: Kangyo Kakumaru (Europe) Tel. 638-4871
• Geneva: Kangyo Kakumaru (Swiss) Tel. 351060
• Paris: Tel. 296-5401 • Frankfurt: Tel. 72 08 81

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
4F	4Aug	Exch. 9½pc 1981	99⅜	29.12	9.52	11.74
21F	21Aug	Exch. 3pc 1981	98¼	15.1	3.04	12.09
17May	17N	Treas. Variable '81§§	99¾	10.4	12.60	13.16
23May	23N	Exch. 12¾pc 1981‡‡	100	16.4	12.75	12.49
15Jul	15Ja	Treas. 8½pc '80-82‡‡	98xd	8.6	8.67	12.28
15Aug	15F	Treasury 3pc '82‡‡	94¼	9.1	3.18	12.38
16S	16Mar	Treasury 14pc '82‡‡	101	9.2	13.86	12.37
15D	15Jun	Treas. Variable '82§§	99½	11.5	12.64	13.12
5Ja	5Jul	Treasury 8¼pc '82	95¾xd	1.6	8.61	12.78
22Mar	22S	Exch. 9¼pc 1982	95⅛	13.3	9.72	13.50
5Jul	5Ja	Exch. 8¾pc 1983	94⅝xd	1.6	9.27	12.89
21Aug	21F	Exch. 3pc 1983	88⅝	15.1	3.38	10.59
17S	17Mar	Treasury 12pc 1983‡‡	97¼	9.2	12.34	13.76
24N	24May	Treas. Variable '83§§	99	21.4	12.70	13.15
18Ja	18Jul	Treasury 9¼pc '83	93⅜xd	11.6	9.91	13.03
22May	22N	Exch. 13½pc '83	99¼	15.4	13.60	12.82
12Jun	12D	Exch. 10pc 1983	92⅝	6.5	10.79	13.59
15Jul	15Ja	Funding 5½pc '82-84‡‡	86¼xd	8.6	6.37	11.87
20Aug	20F	Exch. 11¼pc 1984	94	14.1	11.96	13.98
22N	22May	Exchequer 14pc, 1984	99⅞	15.4	14.01	14.02
19D	19Jun	Exch. 3pc 1984	80⅛	13.5	3.74	10.97
26Mar	26S	Treasury 12pc 1984	95	17.2	12.63	13.90
22Aug	22F	Treasury 15pc 1985	102¾	16.1	14.59	13.98
22S	22Mar	Exch. 12pc Cnv. '85	94⅛	—	12.74	14.03
21N	21My	Treasury 3pc 1985	75⅛	14.4	3.99	10.99
15Jan	15Jul	Treasury 11½pc. 1985●	92⅝	—	12.41	13.93
22May	22N	Exch. 12¼pc 1985	94	15.4	13.03	14.09
25 Aug.	25F	Exch. 11¾pc '86	91⅞	19.1	12.78	14.16
19N	19May	Treasury 3pc 1986●	69	—	4.35	11.41
12D	12Jun	Treasury 12pc '86	92¾	6.5	12.93	14.07

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
10Ja	10Jul	Treasury 8½pc '84-86‡‡	83⅜xd	3.6	10.12	12.87
22Jul	22Ja	Exch. 13¼pc 1987	96xd	15.6	13.64	14.03
1N	1May	Funding 6½pc '85-87‡‡	76¾	25.3	8.57	12.42
3 May	3N	Treas. 12pc 1987	91½	29.9	13.35	14.46
26Jul	26Ja	Treasury 7¾pc '85-88‡‡	76¼xd	22.12	10.09	13.11
1Ja	1Jul	Transport 3pc '78-88	61xd	26.5	4.91	11.14
22Aug.	22F	Treasury 11½pc 1989	87⅞	16.1	13.67	15.04
22Aug.	22F.	Do. A	89⅛	—	13.69	15.06
15Ap	15Oct	Treasury 5pc '86-89	63¼	9.3	8.02	12.37
15Jul.	15Ja.	Treasury 13pc 1990‡‡	90¾xd	8.6	14.19	14.77
22Sept	22Mar	Exch. 12½pc 1990	89⅝	—	14.27	15.09
15D	15Jun	Treasury 8¼pc '87-90‡‡	74½	11.5	11.09	13.21
10Jul	10Ja	Treasury 11¾pc 1991	83½xd	3.6	14.03	15.02
5Oct	5Ap	Funding 5¾pc '87-91‡‡	62½	2.3	9.38	12.79
25Ap	25Oct	Exch. 11pc 1991	81	19.3	13.87	14.99

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1Ja	1J	Agric. Mt. 5pc '59-89	61	1.6	8.17	12.88
1M	1S	Met. Wtr. 3pc 'B'	26¼	2.2	11.82	14.05
30J	31D	U.S.M.C. 9pc 1982	105	31.12	8.57	—
30J	31D	Do. without Warnts.	92½	31.12	9.80	17.00

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
20J	20D	FFI 14pc '83	98¾	20.5	14.18	14.61
31M	30S	FFI(UK Fin)5½pcDb. '80-2	91	31.3	6.14	15.07
31M	30N	Do. 6¼pcDb. '81-84	79	31.3	7.99	14.60
11Ja	11J	Do. 10½pc Uns.Ln. '86	85½xd	8.12	12.28	15.00
11Ja	11J	Do. 11pc Uns.Ln. '88	82½xd	8.12	13.33	14.65
11Ja	11J	Do. 11¾pc Uns.Ln. '90	83½xd	8.12	14.07	15.25
14Mr.	14S	Do. 12½pc Un. Ln. 1992	88½	14.3	14.64	15.30
30J	31D	Do. 7¼pcADeb. '89-92	58½	18.5	12.54	15.10
31M	30S	Do. 7¼pcADeb. '91-94	58	31.3	12.96	15.00
31M	30S	Do. 9pc 'A' '91-94	67¾	31.3	13.80	15.15
28F	31A	Do. 8⅞pcLn. '92-97	64½	26.1	14.56	15.40

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	80	87.1	—	—
1Ja	1J	Do. 5pc Pref.	55	2.1	—	—
1Ja	1J	Chilean Mixed	98	24.12	3	f3.10
—		Chinese 4½pc 1898	15	—	—	—
—		Do. 5pc 1912	14	—	—	—
—		Do. 5pc 1913	9	—	—	—
—		Do. 5pc '25 Boxer	9	—	—	—
30 Jun.	31D	Denmark 13pc 2005	81½	3.6	13	15.97

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

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INSURA

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OIL AND GAS—Continued

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MINES—Continued

Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 50c	43	—	Q2.5c	—	3.4
—		ACM 20c	38	—	—	—	—
—		Argosy Gold NL 25c	17	—	—	—	—
—		Bond Corp.	224	—	Q7½c	1.9	1.9
Nov.	Apr.	Bougainville I Kina	98	7.3	Q25.7c	1.0	15.0
—		CRA 50c	268	16.3	Q19c	1.7	4.1

Tins

Copper

Miscellaneous

NOTES

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	43	......	Conv. 9% '80/82	£92½	......
Bertam	13	......	Nat. 9¾% 84/89	£73½	......
Bdg'wtr. Est. 50p	465	......	Fin. 13% 97/02	£78¾	......
Craig & Rose £1	£11½	......	Alliance Gas	77	......
Finlay Pkg. 5p	21	......	Arnott	232	−3
Graig Ship. £1	£20	−1	Carroll (P.J.)	88	−2
Higsons Brew	73	......	Concrete Prods.	90	......
Holt (Jos) 25p	480	......	Heiton (Hldgs.)	28	......
I.O.M. Stm. £1	157	......	Ins. Corp.	420	......
Pearce (C. H.)	940	......	Irish Ropes	50	......
Peel Hldgs.	100	......	Jacob	58	......
Sheff. Refrshmt	98	......	T.M.G.	17	......
Sindall (Wm.)	195	......	Unidare	100	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	14	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	20	Vickers	18
B.S.R.	7	"Imps"	7	Woolworths	6
Babcock	11	I.C.L.	6	**Property**	
Barclays Bank	36	Ladbroke	30	Brit. Land	8
Beecham	18	Legal & Gen.	20	Cap. Counties	11
Blue Circle	35	Lex Service	10	Land Secs.	37
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	24	"Lofs"	4½	Peachey	15
Brit. Aerospace	17	London Brick	7	Samuel Props.	13
B.A.T.	25	Lucas Inds.	18	Town & City	2¾
Brown (J.)	9	"Mams"	20	**Oils**	
Burton Ord.	14	Mrks. & Spncr	11	Brit. Petroleum	33
Cadburys	7½	Midland Bank	26	Burmah Oil	16
Courtaulds	7	N.E.I.	8	Charterhall	8
Debenhams	10	Nat. West. Bank	32	KCA	22
Distillers	17	P & O Dfd.	12	Premier	7½
Dunlop	8½	Plessey	28	Shell	32
Eagle Star	25	Racal Elect.	34	Tricentrol	30
F.N.F.C.	3	R.H.M.	5	Ultramar	44
Gen. Accident	30	Rank Org. Ord.	18	**Mines**	
Gen. Electric	60	Reed Intnl.	25	Charter Cons.	21
Glaxo	28	Sears	5	Cons. Gold	45
Grand Met	18	Tesco	5½	Lonrho	9
G.U.S. 'A'	44	Thorn EMI	30	Rio T. Zinc	45
Guardian	30	Trust Houses	15		
G.K.N.	15	Tube Invest.	18		
Hawker Sidd	25	Turner & Newall	10		
		Unilever	50		

"Recent Issues" and "Rights" Page 28

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Monday June 22 1981

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FOREIGN CURRENCY HOLDINGS THREATEN MONETARY CONTROL

Sterling may become more volatile

BY DAVID MARSH

A BIG build-up of foreign currency deposits by UK residents, together with a sizable increase in international holdings of sterling, threatens to make the pound more volatile and to impede the Government's efforts to control the money supply.

Since the abolition of exchange controls in October 1979, British investors — especially large corporate treasurers — have become much more sophisticated in switching into and out of foreign currencies.

Sterling has also undergone a renaissance as an internationally traded currency. As a result, bankers and economic analysts in the City believe that the pound has become more vulnerable to international pressures—as was underlined by its sudden drop to below $2 earlier this month.

Additionally, and potentially more worrying to the government, the volume of bank deposits held by UK residents, but not included in the basic measure of the money supply, sterling M3, has been growing sharply.

Because of this, the latest figures for sterling M3, which indicate a slowdown in underlying monetary expansion compared with last year, may have been understating the amount of liquidity building up in the economy.

The Bank of England is aware of the risks. It is monitoring carefully recent large increases in foreign currency deposits by British investors.

Doubts about whether sterling M3 is correctly measuring monetary expansion are adding to the statistical fog already caused by the impact of the Civil Service dispute on the money supply figures.

These uncertainties could be one of the factors—along with interest rate developments in the U.S.—delaying any further cut in Minimum Lending Rate.

There are three areas where movements of international money are complicating the task of the Bank of England.

● UK residents' deposits of foreign currencies in British banks have increased by 64 per cent since October and stood at £8.82bn in mid-May, according to Bank of England figures published last week. Most of this is in dollars.

British residents — ranging from company treasurers to small High Street depositors—have become big holders of foreign exchange only fairly recently. During the first 12 months after the ending of exchange controls, when sterling was strong and British interest rates high by international standards, foreign currency accounts rose by only 9.5 per cent.

This year's increase has meant that the wider monetary aggregate M3, which includes both sterling and foreign currency deposits, has grown by 11.9 per cent, seasonally adjusted, in the past seven months.

This compares with an increase of only 7.7 per cent for sterling M3.

Mr Peter Turner, economist at stockbrokers James Capel, writes in the firm's latest monetary review, published today, that the present level of foreign currency holdings "presents a threat to monetary control."

If investors took profits by converting currency holdings back into pounds, sterling M3 would soar.

He calculates that if currency deposits were reduced to more normal levels during the next six months, this could add about 5 per cent to the annualised figures for sterling M3.

● Company treasurers and other big investors like trust funds and building societies have been pursuing another alternative investment strategy during the past 18 months. They have been piling up funds on the Euro-sterling market (sterling deposits in Continental banks, mainly Paris, Brussels and Amsterdam).

Figures published by the Bank of England in its quarterly bulletin last week showed for the first time the full extent of what has been going on.

British non-bank deposits on the Euromarket nearly trebled between September 1979 and the end of 1980, rising from £400m to £1.1bn. Had these deposits been placed in Britain this would have added a further 1.3 percentage points to the recorded 22 per cent growth in seasonally-adjusted sterling M3 during the 15-month period.

Euro-sterling deposits of British banks increased in the same period from £800m to £2.6bn.

● There has also been an explosion during the last 18 months in the sterling holdings of overseas residents.

Reflecting the pound's return to favour as an international reserve currency between September 1979 and March this year, sterling investments in London of overseas private depositors and central banks (not including the fairly stable holdings of international organisations like the World Bank) rose by 60 per cent to £14.2bn, mostly in gilt-edged stocks and fixed-maturity bank deposits.

U.S. given Schmidt missile pledge

BY ROGER BOYES IN BONN

CHANCELLOR Helmut Schmidt has given a reassurance to the U.S. that West Germany remains "ready and willing" to station new U.S. missiles on its territory despite an increasingly vociferous German pacifist movement.

The Chancellor's pledge, delivered at a European-U.S. defence conference in Bonn at the weekend, came as about 60,000 demonstrators protested in Hamburg against the North Atlantic Treaty Organisation alliance and nuclear weapons. Herr Schmidt, seeking to calm American anxieties about such protests, stressed that this "public discussion has almost nothing to do with neutralism."

At the same conference, Mr Lawrence Eagleburger, U.S. assistant secretary for European Affairs, emphasised that Washington was serious about wanting to open an arms control dialogue with Moscow. "Isolation of the Soviet Union is not our objective. Our aim is the resolution of specific problems standing in the way of better East-West understanding."

He also said that going back on the 1979 Nato decision—to deploy 572 new missiles in Europe, and hold arms control talks with Moscow—would do "substantial and lasting damage" to Nato.

This flurry of mutual reassurance—the West Germans trying to head off U.S. fears that Bonn is edging towards neutrality, the Americans trying to calm European anxiety about President Reagan's hard line with Moscow—reflects a deeper uncertainty about how to sell Nato's double tracked deploy-and-negotiate decisions.

West Germany, which is to take the bulk of the Cruise and Pershing 2 missiles, has to convince its population that this does not increase the danger of war, while persuading the Soviet Union that it is still interested in a reduction in the number of Soviet SS20 missiles, most of which are targeted on West Germany.

Bonn is urging Washington to stress its willingness to negotiate with the Soviet Union, and emphasising the threatening nature of the Soviet missile build-up in Europe, for that is the ultimate justification for the new U.S. weapons.

Initially, this strategy seems to have confused the Soviet Union which heard two apparently contradictory voices from Bonn—the desire to talk and loud warnings about the Soviet threat.

Moscow is now coming back with its own double-barrelled response. Herr Egon Bahr, an SPD parliamentarian recently in Moscow, said on Saturday the Kremlin leadership was prepared to make concessions. Yet, also at the weekend Mr Leonid Zanyatin, a senior Soviet official, said there was a "dangerous militarisation" in West Germany.

Mr John Nott, the UK Defence Secretary, flew to Washington at the weekend to try to reassure the Americans over the Government's planned defence cuts during talks with Mr Caspar Weinberger.

Tomorrow he will explain the defence review to Mr Joseph Luns, Nato Secretary General, in Brussels. On Wednesday, he flies to Bonn for similar talks with Herr Hans Apel, West Germany's Defence Minister.

Editorial Coment, Page 14

Haughey's chances of staying in power slip

By Stewart Dalby in Dublin

THE CHANCES of Mr Charles Haughey, whose Fianna Fail Party lost its overall majority in Ireland's general election, remaining in power as Prime Minister when the Dail (Parliament) reassembles next week appear to be slipping.

Three of the six independents who are able to take their seats are likely to form a so-called Socialist Alliance, which would probably support any coalition between Dr Garret FitzGerald's Fine Gael party, the second largest grouping with 65 seats, and Mr Michael O'Leary's Labour Party (15 seats).

Since two of the eight independent deputies are "H" Block prisoners, the major parties are looking for a majority out of the remaining 164 Dail members. If Dr FitzGerald can get his coalition he would probably have the support of about 83 and be over the top.

Mr Haughey's Fianna Fail won 78 seats. Thus, even if he gains the support of the other three independents, he would still be short of a majority.

Nonetheless, Mr Haughey still says he intends to form the next Government

Dr Fitzgerald meanwhile said yesterday it was "highly probable" he would be the next Prime Minister — although he admitted it depended on the outcome of his talks with the Labour Party.

It is by no means certain that Labour will agree to a coalition because there are profound policy differences with Fine Gael, particularly over taxation.

David Buchan writes from Washington: Two top officials from the Northern Ireland Office are in the U.S. this week to try to counter the stepped-up campaign by Irish Republicans for American political and financial support.

British officials here say the trip is routine. Nevertheless, there is mounting British concern over the fact that Republican sympathisers could turn out at least 5,000 demonstrators against Prince Charles in New York last week.

● Michael McKee, 24, one of eight IRA prisoners who shot their way out of Belfast's Crumlin Road jail, turned up in the Irish Republic yesterday signing autographs at a Republican commemoration ceremony in County Kildare.

Weather

UK TODAY

MOST of England, N. Ireland and Channel Isles dry with bright or sunny periods. Max. 22C (72F). N. and W. Scotland light rain, clearer later. Max. 18C (64F).

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Jo'burg	S	17	63
Algiers	S	25	77	L. Plms.	F	24	75
Amsdm.	C	12	54	Lisbon	C	22	72
Athens	S	27	81	Locarno	C	19	66
Bahrain	S	35	95	London	F	15	59
Barclna.	C	19	66	L. Ang.†	F	18	64
Beirut	S	27	81	Luxmbg.	C	12	54
Belfast	S	17	63	Madrid	F	29	84
Belgrd.	F	20	68	Majorca	F	25	77
Berlin	F	15	59	Malaga	F	25	77
Biarritz	F	21	70	Malta	S	26	79
Bmghm.	S	16	61	M'chstr	S	16	61
Blackpl.	S	15	59	Melbne.	F	12	54
Bordx.	F	23	73	Miami†	F	25	77
Boulgr.	F	13	55	Milan	F	22	72
Bristol	F	17	63	Montrl.†	F	17	63
Brussels	F	14	57	Moscow	C	21	70
Budpst.	F	21	70	Munich	C	11	52
Cairo	S	35	95	Nairobi	F	24	75
Cardiff	S	16	61	Naples	C	25	77
Cas'b'ca	C	24	75	Nwcstl	S	15	59
Cape T.	F	14	57	N. York†	F	21	70
Chicg.†	F	19	66	Nice	F	22	72
Cologne	F	13	55	Nicosia	S	29	84
Copnhgn.	F	14	57	Oporto	S	22	72
Corfu	S	27	81	Oslo	F	17	63
Denver†	F	15	59	Paris	C	13	55
Dublin	F	18	64	Perth	C	11	52
Dbrvnk.	S	23	73	Prague	R	9	48
Ednbgh.	F	10	50	Rykjvk.	R	11	52
Faro	F	24	75	Rhodes	S	26	79
Florence	F	24	75	Rome	F	25	77
Frnkft.	R	13	55	Salzbrg	R	14	57
Funchal	C	22	72	S'cisco†	F	14	57
Geneva	C	17	63	Strasbg.	C	14	57
Gibrltr.	F	23	73	Sydney	F	16	61
Gl'sg'w	F	17	63	Tel Aviv	S	26	79
G'rnsey	F	15	59	Tokyo	C	15	59
Helsinki	F	15	59	Toronto†	C	15	59
H. Kong	F	32	90	Tunis	F	26	79
Innsbrk.	R	14	57	Valencia	F	25	77
Invrnss.	S	17	63	Venice	F	22	72
I.o.Man	F	14	57	Vienna	C	18	64
Istanbul	C	22	72	Warsaw	R	10	50
Jersey	S	16	61	Zurich	R	10	50

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Kitson criticises closed shop

BY CHRISTIAN TYLER, LABOUR EDITOR

UNEXPECTED trade union support for the criticism of closed shops came yesterday from a leader of the Transport and General Workers' Union as the latest call by the CBI for legislative curbs was published.

Mr Alex Kitson, a noted Left-winger who is the union's acting general secretary, said he personally had never agreed with closed shops in which trade union membership was a condition of employment.

Speaking in Brighton on the eve of his union's biennial conference, he appeared to be criticising the preentry closed shop in particular. He said it was much better for union to recruit than for workers to be forced into membership.

Asked whether he therefore agreed with the views of the Confederation of British Industry published yesterday, Mr Kitson said: "I don't agree with the CBI on anything."

He added that his union was "ready, willing and able" to fight the Government's existing labour laws and any further laws it introduced in the next parliamentary session.

In its submission on the Green Paper on trade union immunities, the CBI said its members had shown a strong and growing dislike for the closed shop.

Mr Len Murray, TUC general secretary, also commented on the proposals.

He said: "The CBI appears to be picking a fight with the TUC about industrial relations regardless of the consequences for their own members, many of whom are deeply uneasy about the CBI poltical line."

Mr Kitson's remarks yesterday show once again that there is broad agreement between many employers and unions as to the administrative convenience—if not the political principle—of the closed shop.

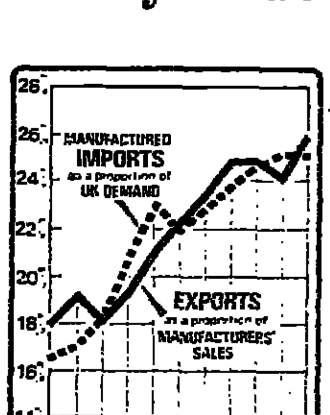
CBI proposals, Page 6

Manufacturers rely more on exports

BY PAUL CHEESERIGHT

BRITISH manufacturers exported a higher proportion of their production in 1980 than ever before, according to Department of Trade figures in the official magazine, British Business.

The share of UK manufacturers' overall production exported last year was 26.1 per cent compared with 24.3 per cent in 1979. Imports, which had claimed a record 26.1 per cent of the home market in the 12 months to March 1980, fell back to 25.4 per cent over 1980 as a whole. This largely reflected the cut in stock levels by British companies during the recession and therefore may be temporary.



Department of Trade figures, dealing with import penetration and export sales ratios, provide a more detailed analysis of industry's performance than the simple trade statistics.

They underline the determination of manufacturers to maintain market share in the face of rising costs, high interest rates and the strength of the pound.

The volume of exports started to decline in the last three months of 1980 and the Department of Trade is reluctant to forecast the likely outcome for this year. In February the British Overseas Trade Board predicted a 3 per cent decline in export volume this year, but this has been balanced by later more optimistic surveys from the Confederation of British Industry.

All sectors of industry, except shipbuilding, recorded a higher proportion of production going into exports last year. Mechanical engineering, traditionally a major export earner, increased sales abroad by 17.5 per cent in value, a rise of 3.5 per cent in total sales.

Output flattens out

Continued from Page 1

There has been a similar improvement in export order books. In particular, demand appears to be strong for capital goods, notably from the U.S., Japan and the oil-producing states.

Manufacturing industry continues to reduce previously excessive levels of stocks of finished goods. But there is still a historically high balance of companies reporting more than adequate stocks. This suggests that destocking in manufacturing still has some way to go, though wholesalers and retailers may already have more satisfactory stock levels.

Consistent

The overall result is that over three-fifths of companies expect no change in the volume of output in the next four months; the 17 per cent which expect a rise virtually cancels out the 20 per cent expecting a decline.

The CBI says that on the basis of past trends these results would be consistent with little change in production levels in the next four months. Expectations about changes in output continue to differ widely both within and between industries.

The monthly figures for industrial production are, however, likely to fluctuate from month-to-month around this flat trend, as they have since January. There are already signs that the May figure may be disappointing as vehicle production fell back.

The stabilisation of activity is, of course, at a low level and the continuing squeeze on many companies is reflected in expectations about domestic selling prices over the next four months. The net balance expecting a rise rather than a fall in prices—plus 21 per cent—is higher than last autumn but less than in the last two months.

Dramatic

The trend therefore remains favourable in comparison with any period over the last decade and suggests that industry does not expect a dramatic upsurge in prices as a result of the fall in the value of sterling. Hopes of a further significant slowdown in inflation are, however, being deferred.

The survey was based on 1,949 replies from manufacturing companies and was conducted between June 1 and 18.

France

Continued from Page 1

alliance with the Socialists in 1977, has once again become distinctly Moscow-oriented.

M Georges Marchais, the party leader, has claimed since President Mitterrand's election that, while disagreements certainly existed between the Communists and Socialists, they were agreed on "more than 100 extremely important questions." They could therefore, he believed, work together within the Government.

M Pierre Mauroy, Prime Minister in the interim government, is generally expected to be reappointed in the new government, together with many of the most important ministers. The outgoing Prime Minister was due to have talks with President Mitterrand last night on the composition of the new government.

The new National Assembly is likely to meet on July 2 for a session expected to last most of next month. After the election of the President of the Assembly and the formation of the various parliamentary committees, the new deputies will quickly get down to work.

Their first task will be to discuss the 1982 Budget Bill, scheduled to be voted in the early autumn, which will be of particular importance because it has to provide for the Government's ambitious social programme.

Priority will also be given by the new Government to legislation on decentralisation, including the direct election of regional assemblies and the suppression of Prefects — the symbols of the centralised State created by Napoleon Bonaparte.

THE LEX COLUMN

Financial sector's bid anxieties

This year, an unaccustomed air of uncertainty has entered the normally secure parlours of Britain's major banking and insurance companies. London's big financial groups have become accustomed to mounting takeover bids elsewhere: Midland Bank is still trying to finalise its acquisition of Crocker in California, and two big insurance companies, Royal and Guardian Royal Exchange, have recently raised large sums through rights issues to help finance their international ambitions. But the past few months have confronted the UK banks and insurers with disturbing evidence that the tables might be turned and they might find themselves on the shopping lists of foreigners. Any further weakening of sterling will add to their anxiety.

Protective umbrella

The current investigation by the Monopolies Commission of the bid by Hongkong and Shanghai Banking Corporation for the Royal Bank of Scotland Group, along with the friendly offer by Standard Chartered, is the most dramatic manifestation of the change of mood. If the Hongkong Bank is given the go-ahead, against the wishes of the Bank of England, a number of other foreign banks will no doubt assume that the protective umbrella has been lifted from the other British clearing banks, too.

There have, however, already been other straws in the wind. On the insurance broking side, the U.S. giant Marsh and McLennan showed the possibilities more than a year ago, when it acquired C. T. Bowring. More recently, the South African company Liberty Life has built up a strategic stake of around one fifth in Sun Life, while Continental of the U.S. has increased its holding in Phoenix from 20 to 23.7 per cent.

And what has really set the dovecots fluttering in the insurance sector has been the recent raid by Allianz of Germany on Eagle Star, leaving it with a stake of almost 30 per cent and a clearly stated ambition to participate more directly in the domestic UK insurance market.

The British banking and insurance markets share several features in common: First, the corporate line-ups were established by mergers back in the 1960s, and have altered little since then, despite important changes in the industries' international structures. Five clearing bank groups, and seven major insurers, dominate the proceedings.

Second, the domestic markets have been highly profitable by international standards, especially in recent years. Net interest margins achieved by Barclays Bank in the UK, for instance, have averaged around 8 per cent in the past couple of years, and although the windfall levy imposed by the Government in the last Budget has dented the returns, they have been notably higher than the 2½ per cent or so achieved by Barclays in its international business.

As for the insurers, last week's figures from the British Insurance Association showed that underwriting losses on fire, accident and motor business in 1980 represented 1.3 per cent in the UK, compared with a worldwide figure of nearly 4 per cent. And the UK's high interest rates must have made the overall return on capital substantially higher than in almost any other important market last year.

A third point in common is that these UK financial businesses have built upon their strong domestic bases to establish, and to expand, extensive international operations. In doing so, they have frequently had recourse to rights issues, so that there has more normally been an abundance of bank and insurance company paper than a scarcity.

Dissatisfied

This has led to situations in which these mostly strong and attractive companies have shares which are often standing well below the net worth of the business, and they have distinctly jaundiced institutional shareholders thoroughly dissatisfied with their long-term performance. So it was that when the other Monday morning institutional fund managers were presented with an apparently attractive opportunity, via an offer for Eagle Star, to reduce their portfolio weighting in a dull sector, many of them jumped at the chance.

In most circumstances, of course, the net worth underlying a share is of little relevance. Clearing banks do not see themselves as break-up situations. But it was unwise for Royal Bank of Scotland Group to lose sight of the concept completely when negotiating cosy merger terms with Standard Chartered.

Why are the British banks and insurance companies suddenly vulnerable? One answer is that both these financial sectors have been seeing a great deal of trans-national merger activity in recent years. For instance companies from Continental Europe have been buying their way into the U.S. insurance market, while U.S. insurers have been looking beyond the boundaries of North America for the first time.

Buying a UK insurance company has two obvious attractions. It would represent a short cut to further international diversification, in that most of the UK majors already derive a large part of their premiums from long established subsidiaries abroad. And it would amount to a way into the profitable UK market, filling something of a gap in the portfolios of most international companies.

As far as the banks are concerned, of course, the opposition by the Bank of England to the takeover of British banks by foreigners not subject to its supervisory powers is well known. Pending the Monopolies decision on Royal Bank, any suggestions of bids for Lloyds or Midland must be fanciful.

Monopoly probes

But the UK insurance companies are available. As the chairman of the British Insurance Association said last week, it is hard to think of any other country in the world where it would be possible to mount an opposed raid on the shares of a major insurance company.

There is not much that the major UK companies can do to defend themselves. Defensive mergers between them would put up the "For Sale" sign and bring an almost certain reference to the Monopolies Commission. Even if they were allowed to proceed, they would probably bring only headaches. The workforce is much more unionised than it was during the last wave of mergers in the 1960s.

However, the great advantage of the UK insurance companies is their size. Allianz is probably the biggest direct insurance company in Continental Europe, but it has still only felt able to take a minority stake in one of the smallest of the UK's big seven composite companies. The consensus among senior insurance executives is that there is only a handful of companies in the world capable of going for one of the big UK groups. But that does not prevent them from twitching nervously in response to unexpected early morning phone calls.

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